

Japan Bank Reports Loss In Write-Off Of Bad Loans

In Break With the Past, Sumitomo Sheds Debt Linked to Real Estate

By Steven Brill
International Herald Tribune

TOKYO — Marking a more aggressive approach in dealing with the financial hangover of the bubble era, Sumitomo Bank said Friday that it would post a loss of 280 billion yen this fiscal year, the first by a major Japanese bank in the postwar era.

Japanese banks are saddled with questionable loans estimated in the hundreds of billions of dollars, many of them made during the boom years of the 1980s. But the Ministry of Finance had prevented them from declaring net losses for fear of prompting a run on banks, as happened before the war.

Now, amid growing concerns that bad loans are hindering economic recovery and undermining the functioning of the stock market, the government appears to have come to terms with the international consensus that writing off losses quickly is better than brushing them under the rug.

Japanese bankers, facing growing competition abroad and a less regulated market at home, also are keen to jettison bad debts that have largely been kept on the books as nonperforming assets.

Yoshifumi Nishikawa, a Sumitomo senior managing director, said, "We have decided to solve the bad loan issue as soon as possible, as we are certain about the recovery of our business and as we prepare for full-fledged liberalization of financial markets in Japan."

Sumitomo, one of the world's largest banks, said it would write off 600 billion yen in nonperforming real estate loans. That reversed the earlier profit estimate of 60 billion yen for the fiscal year that ends March 31, and led to the 280 billion yen (\$2.81 billion) loss.

Added to 200 billion yen written off during the first half of the year, the move will cut Sumitomo's nonperforming assets by 20 percent, to 950 billion yen, at the end of fiscal year.

Analysts praised the write-off and said it would likely be followed by similar moves by other Japanese banks, at least those with strong capital bases.

In addition to Sumitomo, The Bank of Tokyo, Fuji Bank Ltd. and Sanwa Bank Ltd. all have capital-adequacy ratios comfortably above the 8 percent requirement set by the Bank for International Settlements in Basel, analysts said.

"International banks have taught Japanese banks a lesson," said Mark Faulkner, a senior analyst at S.G. Warburg Securities Japan. "Facing up to your problems square and dealing with them as rapidly as possible shortens the period of pain and allows you to get on with business."

Sumitomo's decision to take the loss and risk a public relations backlash reflected a desire to make a positive showing during its 100th anniversary next year. But analysts said the move set an important precedent.

"It's a green light for others to be more aggressive," said Betsy Daniels, an analyst at Morgan Stanley Japan. But she said similar banks were unlikely to follow suit this fiscal year simply because they do not have enough time to prepare.

Worried about the sluggish recovery, the Bank of Japan has been nudging Japanese banks for about 18 months to be more aggressive in writing off bad debts. But none could do so, in fact, without the approval of the Finance Ministry, which had been divided on the issue.

The ministry's tax officials had been loath to let banks declare losses because they could thus avoid taxes and worsen the government's debt.

Yet Sumitomo's desire to cut its debt effectively pressured the ministry. Had it not, Sumitomo could have liquidated portions of its equity portfolio to realize gains needed to show a paper profit.

The 5.6 percent drop in the Tokyo Stock Exchange's key Nikkei index last Monday, a plunge partly blamed on selling by banks and other Japanese companies, no doubt weighed on bureaucrats' minds.

"It's clear that Ministry of Finance has had a sea change," said Brian Waterhouse, an analyst at James Capel.

Conflicting Clues on Republican Foreign Policy

By Elaine Sciolino
New York Times Service

WASHINGTON — The Republicans were isolationist on peacekeeping but expansionist on NATO, cooperative on counterterrorism, but stingy on the peso.

Granted this was just a single hearing of the House Committee on International Relations. But in their first encounter with Secretary of State Warren M. Christopher, the Republican members left no doubt that their approach to foreign policy would be more scatter-shot than strategic.

Despite the Republicans' determination to strengthen the U.S. economy, for example, more than one member attacked the administration for its pro-business decision last year to ignore China's poor human rights record and extend its trade privileges. But not one Republican brought up Bosnia-Herzegovina, and Russia's military

assault on Chechnya was mentioned only in passing. And while Christopher H. Smith, Republican of New Jersey, argued that the United States should open its doors to the Cuban refugees in camps in Guantanamo, Ileana Ros-Lehmann, Republican of Florida, urged an airtight naval blockade should Fidel Castro again allow his people to flee.

The issue highest on the Republican agenda is to severely limit the U.S. role in UN peacekeeping operations and in their financing.

In his testimony Thursday, Mr. Christopher warned that the Republican plan could leave the United States with an unacceptable choice for every emergency: "acting alone or doing nothing."

The House bill being discussed, similar to legislation introduced in the Senate, would both challenge the authority of the president as commander in chief and

drastically change the way the United States calculates its contributions to UN peacekeeping.

Under both plans, the president would have to seek congressional approval to supply troops to a UN operation under a foreign commander, and the Pentagon would have to charge the United Nations for much of the equipment and services it now provides free.

Such an approach could cost the United Nations \$1 billion a year, and much more if other countries were to follow suit. If enacted, Mr. Christopher warned, the proposal "would threaten to end UN peacekeeping overnight," and would almost certainly lead allies in the North Atlantic Treaty Organization and Japan to withdraw their voluntary contributions.

Mr. Christopher said the proposal to force the presi-

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U.S. Economy Surges at Highest Rate In a Decade

But Slowdown Is Likely As Consumers Turn Shy And Inventories Mount

By Lawrence Malkin
International Herald Tribune

NEW YORK — After its best year in a decade, the U.S. economy ended 1994 with signs of moderation in growth that should continue into this year and help keep a lid on inflation, the Commerce Department reported Friday.

Gross domestic product grew at an annual rate of 4.5 percent during the last quarter and was accompanied by inflation of only 1.6 percent by the government's most broadly based measure, the implicit price deflator.

"It doesn't get a whole lot better than this," said Cynthia Latta of DRI/McGraw Hill.

For the year, the economy grew by 4 percent, the fastest rate since 6.2 percent in 1984, while the 2.1 percent increase in the price deflator was the lowest in 30 years.

But seeds of a slowdown were widely visible in the figures on trade, consumer and defense spending, and especially in an accumulation of unsold goods as the year ended with consumers apparently reaching the limits of their borrowing and buying power.

This helped push up bond prices to yield lower long-term interest rates — 7.73 percent for the benchmark 30-year Treasury bond — and implied that investors were persuaded by the figures to continue lowering their expectations of inflation. The stock market, aware that slower growth means lower corporate profits, moved lower most of the day and the Dow Jones industrial average closed down 12.45 points at 3,857.99.

The most startling government statistic was a record \$68 billion increase in inventories, a huge advance over the \$10 billion increase during the Christmas season in 1993. Although economists can never be sure whether businesses are increasing their stocks because they expect good times or because they have been caught with too much on their shelves, the consensus seemed to favor the second theory now, as opposed to the first a year ago when the buying binge was getting into much higher gear than anyone had expected.

Alan Sinai of Lehman Brothers pointed to weak retail sales over the last Christmas season, followed by the automobile companies' production cutbacks this month as they increased rebates to move cars off their crowded sales lots. This pile-up should serve as a drag on growth in 1995, just as the Federal Reserve intended when it began raising interest rates a year ago.

Mr. Sinai said the Fed appeared on the way to achieving a scenario of bypassing the recession that traditionally has been part of the classic boom-and-bust cycle that accompanies full employment. He said the reason was that the central bank had become aware that "something new is cooking" in the U.S. economy because of global competition holding down wages, which account for 80 percent of manufacturing costs.

The Federal Open Market Committee is scheduled to meet again Tuesday and Wednesday, and Wall Street analysts still expect a rise of half a percentage point in the federal funds rate, now at 5.5 percent, in a bid to brake an economy that is still exceeding the central bank's 2.5 percent speed limit. Next month, the Federal Reserve chairman, Alan Greenspan, may signal a pause when he announces the Fed's strategy in his semiannual report to Congress.

Another drag on the economy during the final quarter was a 15.6 percent decline in federal purchases because of a record drop in military spending. It fell \$14.4 billion, or 22.5 percent, the largest drop recorded since 1972, toward the end of the Vietnam War.

Growth in final sales of goods slowed to 3.7 percent, from 4.3 percent, and the trade deficit increased to \$124 billion at an annual rate, up sharply from \$82 billion in the final quarter of last year.

Assisted by heavy demand from Mexico, the second-largest importer from the United States after Canada, exports have risen at double-digit rates since the start of last spring, but now both countries are in trouble. The WEFA Group forecast Friday that U.S. exports to Mexico this year would decline by almost half, to \$27 billion.



Deputy Prime Minister Zhu Rongji of China, at Davos: These are "purely commercial disputes and have nothing to do with the central government."

German Bank Waves Its Club at China Over Debts

By Alan Friedman and Jonathan Gage
International Herald Tribune

DAVOS, Switzerland — In a rare foray into international diplomacy, Germany's most powerful bank has begun a campaign to pressure the government of China to honor the unpaid debts of its state-controlled companies.

The effort by Deutsche Bank comes amid mounting concern among international bankers and other creditors over a series of payment defaults by Chinese companies. The bank's determination was evident on Friday when a board member arrived from Frankfurt to lobby top-level Chinese government officials attending an economic conference here.

"The sums of money owed are not large, but the credibility of China is at stake," said a senior German banker, who spoke on condition of anonymity. "There is an important principle at stake here. The government in Beijing should get their companies to behave and play by the rules."

Deutsche Bank is not the first institution to complain about payment defaults by Chinese companies, but the Frankfurt-based bank has enormous clout and its decision to lobby Beijing directly raises the stakes in the controversy.

Yet even as Deutsche Bank joined the growing chorus of international protest against Chinese defaults, Deputy Prime Minister Zhu Rongji and other senior officials

fanned out in an attempt to reassure business executives and investors participating in the annual World Economic Forum meetings here. The Chinese, however, remained defiant over claims that the payment defaults are the responsibility of the central government.

Mr. Zhu, who is China's leading economic official, contended that a \$52 million lawsuit filed in New York by Lehman Brothers Inc. last year and other default claims filed by non-Chinese banks "are purely commercial disputes and have nothing to do with the government." He told the gathering of business executives and

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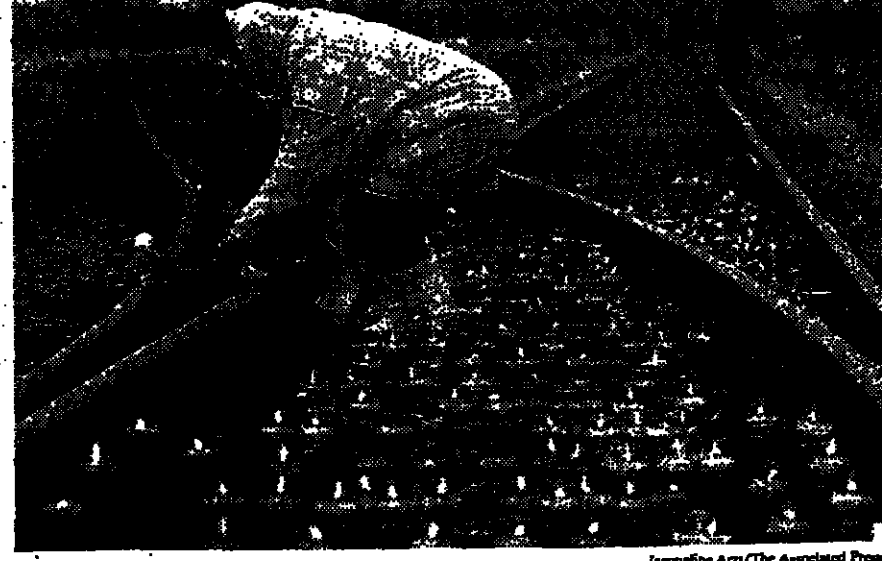
Auschwitz Was History's Biggest Crime, Leaders Avow 'Worlds Destroyed'

By Rick Atkinson
Washington Post Service

OSWIECIM, Poland — Political and religious leaders from 32 nations gathered at Auschwitz on Friday to commemorate the 50th anniversary of the death camp's liberation and to affirm a common vow: Never again!

On a morning of bitter cold and sporadic snow flurries, thousands of candles flickered among the ruins of the Nazi camp in memory of at least 1.1 million victims who perished here before advancing Soviet troops arrived in January 1945.

"Whole nations, the Jews and the Gypsies, were supposed to be exterminated here together with others, above all us Poles," President Lech Walesa of Poland said during a ceremony attended by about 5,000 people. "In the name of an insane ideology, children were murdered. Man denied his humanity by putting other hu-



A woman lighting a candle Friday on the tracks leading to the Auschwitz camp.

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Otto Frank Letter

AMSTERDAM — A previously unknown letter written by Anne Frank's father soon after he was freed from the Auschwitz Nazi death camp surfaced in the Netherlands on Friday, offering a moving insight into one experience of liberation.

Written from Katowice near Auschwitz in March 1945 to his second cousin, Milly, in Britain, the letter shows Mr. Frank had no idea that his family had perished and that he was alone.

"Of Frau Edith and the children I know nothing. We are separated at our arrival at Birkenau-Auschwitz September 5th," said the letter, published in the Rotterdam daily *Algemeen Dagblad* to mark the 50th anniversary of the murder of more than 1.1 million people at Auschwitz.

Mr. Frank's wife was killed by the hardships of Auschwitz, and both his daughters died of typhus in the Bergen-Belsen camp. Anne Frank's teenage diary, an account

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CLA Turncoat Was Done In by Secrets of His Trash

By Walter Pincus
Washington Post Service

WASHINGTON — A torn yellow slip of paper, found in a secret, late-night search of trash from a can outside the home of Aldrich H. Ames in September 1993 gave the FBI its first usable piece of evidence that the veteran CIA counterintelligence expert was the Russian spy they had been seeking for more than nine years.

The high-risk "trash cover," which involved taking, poring over and then returning most of the contents of Mr. Ames's garbage can, was undertaken without the specific approval of FBI headquarters by the bureau's special investigative squad.

The unauthorized trash search "was a marvelous piece of insubordination," the FBI's assistant director, Robert M. Bryant, said Thursday during a briefing on the "ups and downs" of the nine-month investigation that led to the arrest of Mr. Ames in February 1994 and his guilty plea in April.

Leslie G. Wiser Jr., the agent who supervised the case, and other members of his team provided new details on the techniques used to capture what Mr. Bryant called the most damaging spy in U.S. history.

The torn yellow slip recovered from the trash was a penciled draft of one that Mr. Ames attached to secret documents he had given the Russians the previous week, telling them he was prepared to meet them the next month in Bogota.

"When we got this, we knew we had a spy," Mr. Wiser said, "and that he was active."

Mr. Wiser said he initiated the September trash search because his team was "depressed and upset" that Mr. Ames had eluded them the previous week. His superiors, including Mr. Bryant, "were not shy in beating up on us" after Mr. Ames got away, Mr. Wiser said.

On the night of Sept. 15, 1993, two members of the FBI's elite special surveillance group (SSG) and two FBI agents drove up to Mr. Ames's Arlington, Virginia, house

in a dark van with no lights on. They exchanged a can similar to Mr. Ames's with the real one and were "back in the van in seconds," one FBI source said. They dumped out the trash, took out the torn pieces of yellow paper and some other papers, put the rest back in the can and returned the can to Mr. Ames's house.

From the start of the Ames investigation, on May 12, 1993, Mr. Wiser turned for surveillance to the SSGs, specialized covert teams of FBI employees used exclusively on foreign intelligence cases. They are men and women of all ages and races who are trained to follow subjects by car, on foot, and on bicycles, and who are able to use cameras and electronic equipment.

Permission for tapping Mr. Ames's home and office phones was approved June 11.

In July and August, a television camera, nicknamed the "eye," began to be regularly trained on the Ames house

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Down	Up
12.45	0.04%
3857.99	108.36
The Dollar	
New York	FF 1.515 1.5178
DM	1.515 1.5178
Pound	1.5895 1.5905
Yen	99.375 99.445
FF	5.2585 5.255

Newsstand Prices	
Andorra.....9.00 FF	Luxembourg 60 L Fr
Antilles.....11.20 FF	Morocco.....12 Dh
Cameroon.....1.40 CFA	Qatar.....8.00 Riels
Egypt.....E.P. 5000	Reunion.....11.20 FF
France.....9.00 FF	Saudi Arabia.....9.00 R.
Gabon.....960 CFA	Senegal.....960 CFA
Greece.....350 Dr.	Spain.....225 PTAS
Italy.....2,000 Lire	Tunisia.....1,000 Din
Ivory Coast.....1.120 CFA	Turkey.....T.L. 45,000
Jordan.....1 JD	U.A.E.....8.50 Dirh
Lebanon.....US\$1.50	U.S. Mil. (Eur.) \$1.10

Klosk Lockheed Fined \$24.8 Million

ATLANTA (AP) — Lockheed Corp. pleaded guilty Friday to federal bribery charges and was fined \$24.8 million.

The move allowed Lockheed to avoid a trial the government said would have disclosed how the company paid about \$1 million to influence the sale of cargo planes to Egypt.

The charges concerned a 1989 contract, valued at \$79 million, for three C-130 Hercules transport planes.

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Residents of Miltenberg, Germany, walking along a makeshift gangway on Friday after rain swelled the Main River.

No Letup Is Near As Europe Battles Floods and Storms

Compiled by Our Staff From Dispatches

FRANKFURT — High winds, rain and bitter winter weather added to flooding in much of Europe overnight and Friday, with thousands of homes inundated and predictions of worse to come.

In France, the death toll from storms and floods over the past week rose to 13 on Friday when a woman was killed by a piece of corrugated iron swept off a roof by wind in the central town of Montceau-les-Mines.

Gusts up to 214 kilometers an hour (130 miles an hour) ripped across Switzerland during the night. The temperature in Lucerne sank 10 degrees cen-

tigrade in a 15-minute period, causing freak conditions. Officials estimated millions in damage at Zurich Airport alone, with parked airplanes blown along the tarmac crashing into each other or flipping over. Streets and highways throughout Switzerland were blocked by fallen trees.

In Britain, hospital officials said the death toll from blizzards on Wednesday in the north of England had risen to six, while in Austria a German motorist was crushed by a tree uprooted by high winds.

Weather forecasters predicted more snow in Britain on Friday, as well as more heavy rain in France, Belgium and Germany, all hit by severe flooding in some areas.

WORLD BRIEFS

Nuns' Release Sought in Sierra Leone

FREETOWN, Sierra Leone (Reuters) — A Roman Catholic welfare agency appealed to rebels in northern Sierra Leone on Friday to free seven kidnapped nuns.

The military government, retracting a statement that they had been found, said its troops were searching for them. A spokesman for the Catholic Mission said the nuns — six Italians and a Brazilian — were still missing after an attack on the northern town of Kambia.

With rebel attacks reported ever closer to Freetown, the capital, and the government ordering all available police and soldiers to report for duty, Britain advised its nationals to leave if they had no pressing reason to stay. At least 16 foreigners and scores of Sierra Leoneans have been abducted in rebel attacks over the past three months.

Tapie Loses Appeal on Bankruptcy

PARIS (Reuters) — Bernard Tapie, the flamboyant French businessman and maverick leftist politician, lost another round Friday in his fight to avoid being disqualified from politics.

The Paris Court of Appeal rejected Mr. Tapie's plea to suspend a December commercial court ruling declaring him personally bankrupt and thus ineligible to hold public office for five years, the presiding judge, Myriam Elzary, announced.

Mr. Tapie, a member of the French and European parliaments, had sought a quick injunction suspending the ruling until the court considers his full appeal against bankruptcy March 3.

Andreotti Mafia Hearing Adjourned

PALERMO, Sicily (Reuters) — A court hearing to decide whether a former prime minister, Giulio Andreotti, should stand trial on Mafia charges opened on Friday but was immediately adjourned until Feb. 17.

Court sources said the examining judge, Agostino Cristiana, agreed to the adjournment to allow the defense more time to study newly submitted documents that are part of 88,000 pages of prosecution evidence against him. Mr. Andreotti, 76, and one of Italy's most powerful politicians for more than 40 years, did not attend the hearing.

The prosecution case, based on testimony from top informers, alleges that Mr. Andreotti was the Sicilian crime organization's chief protector in the corridors of political power for 14 years until 1992 and effectively a full Mafia member.

Gunmen Kill 6 Policemen in Egypt

MINYA, Egypt (AP) — Gunmen fired automatic rifles on a police car that was escorting a tourist convoy in southern Egypt on Friday, killing six policemen, security officials said. There were immediate reports of casualties among the tourists.

The men, who the authorities said were suspected Muslim extremists, fled after a brief gun battle with police. The attack took place in Minya province, 220 kilometers (135 miles) south of Cairo, an area that has been a center of militant activity in recent weeks.

Earlier Friday, police here shot and killed four suspected Muslim militants and wounded two others at a medical clinic that security officials said was being used as a hideout by extremists.

TRAVEL UPDATE

N.Y. Museum Plans Major Overhaul

NEW YORK (NYT) — The American Museum of Natural History, dogged by a reputation for stodginess despite recent renovations to many of its most famous exhibits, is planning to embark on a major reconstruction and expansion intended to bring it into the realm of the latest generation of interactive science museums.

The centerpiece of the plan is a huge, softly illuminated sphere, 80 feet (25 meters) in diameter, that would replace the 59-year-old Hayden Planetarium.

The project is estimated to cost \$60 million to \$90 million, of which \$10.5 million has been raised. It will include the virtual rebuilding of one side of the museum.

The Channel Tunnel hit two snags Friday. Unexplained problems with two of the four "Le Shuttle" trains that take passenger cars between Folkestone, England, and Calais, France, forced delays of more than two hours in the morning, and the tunnel operators have delayed, probably until mid-May, the start-up of services for tour buses.

The cruise ship Queen Elizabeth 2 was cited for spewing sewage while anchored in Kailua Bay off the island of Hawaii. The line's agent, Jardine Shipping Agency, is required to respond within seven days.

Cathay Pacific Airways will launch a twice-weekly service to Surabaya, its third destination in Indonesia, starting June, the airline said in Hong Kong.

Taiwan is to establish direct air links with Switzerland and Italy starting in April, Transportation and Communications Ministry officials said Friday in Taipei.

A Mexican citizens' group has filed suit to try to remove souvenir shops from the shadow of the Sun and Moon pyramids in the Teotihuacan Valley, an archaeological site that UNESCO declared part of the patrimony of mankind in 1988.

Belgium's state airline, Sabena, is flying as usual, despite earlier threats by pilots and ground crew to strike, a Sabena spokesman said Friday.

The two main Paris airports enjoyed a 7.3 percent jump in passenger volume last year, the managing company Aeroports de Paris said Friday. Roissy-Charles de Gaulle and Orly handled a total of 55.3 million passengers, compared with 51.6 million in 1993.

Again, Harriman Heirs Sue Envoy to France

By Sharon Walsh

WASHINGTON — Pamela Harriman, the U.S. ambassador to France, is accused in a new lawsuit of borrowing more than \$15 million from funds from her late husband's estate that were meant to be divided with his heirs. The lawsuit follows accusations last fall that she had squandered more than \$20 million of the heirs' money.

The heirs of the diplomat and financier W. Averell Harriman allege that Mrs. Harriman lent herself millions of dollars from the estate that was to be divided with them after he died in 1986, at the age of 94. Mrs. Harriman received the bulk of her husband's wealth, including artworks, cash and property valued at more than \$100 million, as a result of his will and his gifts to her during their marriage, according to court papers.

Lawyers for Mrs. Harriman said she was entitled to the money that the heirs said she borrowed. The allegations in the suit, which was filed Wednesday in Loudoun County, Virginia, are "flat out wrong," said Gary D. Wilson, one of her lawyers. "These weren't even loans. They were advances," he said, against her share of various trusts that were to be shared with the heirs.

Mrs. Harriman, 74, is both the executor of Averell Harriman's estate — one of America's great fortunes, realized from the Harriman railroad dynasty — and a trustee of numerous trusts he had set up. The heirs allege she engaged in numerous acts of "self-dealing and breach of fiduciary duty" in her roles.

In Paris, Mrs. Harriman referred all queries to her lawyers. The heirs filed a separate lawsuit in New York in September alleging that Mrs. Harriman and the three men who served as trustees of the Harriman trusts — the Washington lawyers Clark M. Clifford and Paul C. Warnke, and her New York financial adviser, William C. Rich 3d — poured millions of dollars into bad investments, including \$21 million invested in a Broadway New Jersey resort that was originally a Playboy Club.

The new lawsuit claims she misused some of the assets of the Harriman estate. The total assets involved in the trusts listed in the complaint were worth about \$30 million at his death, according to lawyers.

In 'Quiet' Sarajevo, Wrath Against Serbs Seethes

By Roger Cohen

New York Times Service

SARAJEVO, Bosnia-Herzegovina — For more than 1,000 days, Sarajevo has not been so quiet. Kids on sleds slide noiselessly over the snow. Trams glide by. At night the lights on the hills climb silently toward the stars and not a mortar round or a sniper's shot disturbs the peace.

The cafes that were once the heart of this city's life are almost full again. There is a takeout pizza service doing a reasonable business. Food does not abound but there is enough to eat. UN armored personnel carriers are on the streets, but few private cars.

The city, it might almost be said, is recovering faint traces of a normal existence. And this normality, it might almost be believed, must be a precursor of the peace that has eluded Bosnia-Herzegovina since the country gained independence almost three years ago — or so the Western politicians and UN officials trying to build a four-month cease-fire into something more would like to think.

But they are up against something invisible and increasingly potent: the implacable sense of moral outrage

that has taken root among the 280,000 people left in Sarajevo.

Conversations with many Sarajevans suggest that besides the recent improvement in material conditions has come a hardening of the spirit and a rekindled determination to defeat or at least arraign the Bosnian Serb leaders they regard as war criminals. A resumption of the war in the spring, or before, is widely seen as inevitable.

"First we have to judge the Bosnian Serb criminals, then perhaps there can be peace," said Amila Omersovic, the general manager of Bosnian television. "For close to a million unhappy Muslims, I think five Serbs must go to court. That would be reasonable. That would satisfy us. But until then we will just go in circles."

Mrs. Omersovic's conviction is widely shared in Sarajevo. In essence, it is that the Bosnian Serb leader, Radovan Karadzic, and the Bosnian Serb military commander, General Ratko Mladic, can never accept peace because it would open the way to a concerted international investigation of how close to 800,000 Muslims were evicted from their homes or killed dur-

ing the Bosnian Serb drive to create an ethnically pure state.

This conviction has hardened as all international efforts to use military pressure on the Serbs to coerce them into accepting a peace plan have evaporated. The people of Sarajevo have watched, with deep cynicism, a procession of U.S. diplomats and officials going up to the Bosnian Serb stronghold of Pale and trying to talk the Serbs into compromise.

"I am a very normal person and I do not wish harm to anyone," said Amra Djafarovic, an accountant and mother of a 3-year-old boy. "But if I were ordered to go up to Pale and shoot the Serbs up there I would. They have taken my son's childhood away and nobody has the right to do that."

Such anger is fed by the fact that normalcy here remains relative. Intelligent people discuss whether old shoes or old clothes burn better to heat an apartment. Candles, once predictably romantic, are now symbols of so many days without electricity.

Meanwhile, Sarajevo remains encircled. Some West European mayors visiting the city this week for a festival to mark the city's 1,000 days under

siege arrived through a tunnel under the airport.

The mayors were greeted by a petition signed by 179,700 citizens of Sarajevo calling for the Bosnian capital to be undivided and free. It is currently split between a few Serb-held areas like Grbavica and much larger districts under the control of the Muslim-led government.

"It will take two generations to heal the wounds in this city, but it cannot be split in two," said Usman Djikic, the organizer of the petition. "Sarajevo was always a city open to everyone. Either we live together or we do not live at all."

Mr. Karadzic has, however, recently hardened his views on the need to establish two cities of Sarajevo, one ethnically pure Serbian city in Grbavica, Dobrinja, Ilidza and the airport area, and another mainly Muslim town in what is left.

"For Mr. Karadzic, the idea of resolving the question of Sarajevo by creating two cities is now central to his vision of how peace can be achieved," said a senior U.S. official. "He'll never get it, but we've run out of leverage to force him to change his mind."

5-Nation Mediation Team, Getting Nowhere, Leaves Sarajevo

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina — International mediators suspended their efforts to reach a peace agreement with Bosnia's warring Serbian and Muslim factions on Friday.

The U.S. State Department said the envoys made the decision to leave Bosnia after the Serbs refused to accept a peace plan put forward by the five-nation "contact group."

A department spokeswoman, Christine Shelly, said in Washington that it was "way too early to conclude that the contact group is finished," but that there would be "a pause now" in its efforts. The group includes representatives of the United States, Britain, France, Germany and Russia.

"The contact group can't speak our language," the leader of the Bosnian Serbs, Radovan Karadzic, said. "The Muslims are dictating the position of the contact group, and I don't think the contact group has any future if that continues."

The contact group had been trying to persuade the Bosnian Serbs to accept a peace plan that would require them to give up a third of the territory they hold. The group has not had talks with the Bosnian Serbs since Tuesday.

Mr. Karadzic said the problem was mostly semantics. "As a matter of fact, the problem seems to be more of a linguistic one than anything else," he said after waiting in vain for the con-

tact group to come to his headquarters at Pale Friday.

Mr. Karadzic's main opposition to resuming talks was the contact group's insistence that the Bosnian Serbs accept its plan as a basis for negotiations.

"We cannot accept the word 'accept,'" Mr. Karadzic said. "We are ready to proceed with negotiations, taking the contact group plan as the basis for negotiations. But we do not accept the contact group plan."

"What we, however, can do is to say that we take the contact group plan as a basis for further negotiations, but this does not satisfy the contact group. That's the big problem."

A Serbian official said the main

reason for the deadlock was the contact group's refusal to modify the peace plan, which was presented to the rival sides in mid-1994 on a yes-no basis.

As the mediation effort faltered, fighting continued in the Bijac cave and the United Nations said some territory may have changed hands.

A UN spokesman, Colonel Gary Coward, said 52 detonations were recorded between midnight and 4 A.M. Friday, and that a total of 580 detonations were registered on Thursday, five times the daily average since the Muslims, Croats and Serbs signed a four-month cease-fire that was to take effect on Jan. 1. (Reuters, AP)

In Heartland Russia, Yeltsin Message Finds Few Takers

By Margaret Shapiro

Washington Post Service

LIPETSK, Russia — If this industrial city in the fertile heartland of Russia is any indicator, President Boris N. Yeltsin is in serious political trouble.

The mood of the people, which Mr. Yeltsin came here Thursday to sample, ranges, for the most part, from gloomy and pessimistic to downright depressed, and both Mr. Yeltsin and the military offensive he launched in secessionist Chechnya are very unpopular.

Even among those who consider themselves advocates of democratic reform, support for Mr. Yeltsin was faint. Many people said they would back him in another election only if they had no other choice. The vast majority of people interviewed here before and during Mr. Yeltsin's one-day visit said that they felt betrayed by his economic policies, that they were fed up with politics and that they were sickened by a war in which hundreds of young Russian soldiers have died.

"He robbed the people, made us poor, and now he robs us of our sons," said Ludmila Panarova, 46, whose son has been

sent to fight in Chechnya. "We elected Yeltsin because we thought he came from the heart of the Russian people, and now he's cheated us." But while many said they would not support him in future elections, few could name any candidate they liked better.

This was Mr. Yeltsin's first foray into the hinterlands since the widely unpopular offensive in Chechnya began Dec. 11, and his advisers seem to have anticipated the negative mood. On Thursday, results of a nationwide poll by the Russian Center for Public Opinion showed his approval rating had plummeted from 28 percent in September to 14 percent now.

Thus they devised a presiden-

tial visit that skirted the heavily populated city center and essentially eliminated the possibility of any random public contact. Public access to Mr. Yeltsin was confined to workers at three factories on the outskirts of the city that have been fairly successful in making a transition to free-market operations. Most Lipetsk residents seemed unaware that the Russian president was in their city.

Mr. Yeltsin met with top factory officials, visited a few workshops, asked questions about conditions, shook hands and then left through virtually empty streets for a military airport for the flight back to Moscow.

Vitali Bezrukov, editor of Li-

petsk's Panorama Magazine and a democratic reformist who no longer supports Mr. Yeltsin, called the visit "a publicity tour after the events in Chechnya."

A Yeltsin spokesman said Lipetsk, 320 kilometers (200 miles) south of Moscow, was picked because it is "a traditional Russian region, a stable region." Mr. Yeltsin, the spokesman said, came here to "show that Russia is not just Chechnya; Russia is also working people."

"Here there is calm, quiet, normal life. We don't think about the war. We think about the future."

Lipetsk, a steel production region with a population of about 1.2 million, also happens

to be an area that voted heavily for nationalists and Communists in the December 1993 parliamentary elections.

If Mr. Yeltsin intends to run again for president when his five-year term expires in 1996, he will have to convert industrial centers like Lipetsk. As part of the effort to rebuild a constituency here, Prime Minister Viktor S. Chernomyrdin and a first deputy prime minister, Anatoli B. Chubais, both have visited Lipetsk in recent months.

Mr. Yeltsin said that this was the first of what he promised would be monthly visits to the provinces. On arrival, he acknowledged that many problems existed, but sought to portray the economic situation in Russia as improving, with the possibility of economic stabilization by the end of this year.

But few here seemed very optimistic. Many factories in Lipetsk are operating at less than full strength, with employees on forced vacations or receiving paychecks only fitfully. Nearly everyone blamed Mr. Yeltsin for their woes.

"What has he done good for Russia? He's just tricked everyone," said a worker from the huge Novolipetsk Iron and Steel plant that Mr. Yeltsin visited. "The whole country has fallen apart. In our workshop, everyone just says of Yeltsin that he should go to the devil."

Russian Artillery Blasts the Last Exit From Chechen Capital

Compiled by Our Staff From Dispatches

GROZNY, Russia — Bodies littered Grozny's streets after heavy Russian shelling on Friday, while in Moscow President Boris N. Yeltsin removed a minister coordinating his unpopular Chechnya campaign.

European fact-finders flew to the region, and Russian forces stepped up the bombardment of Chernorechye, a rebel-held suburb that is the last open route between Grozny's smashed center and the rest of Chechnya. Bodies were seen all over the area.

A brief statement from Mr. Yeltsin's press office said the Russian president

had removed Deputy Prime Minister Nikolai Yegorov from his post for health reasons.

Mr. Yegorov, who had special responsibility for nationalities, was hospitalized a week ago with pneumonia. His doctors said then that he would be unable to return to his office for at least three weeks.

He was a member of Mr. Yeltsin's powerful Security Council, an inner circle of top officials who have been coordinating the Chechnya campaign.

A government statement in Moscow said Chechen rebels were demoralized

and deserting the separatist leader Dzhokar Dudayev in droves.

But in Grozny, the rebels appeared upbeat despite the chaos. "We have plenty to eat and morale is high," said Anzor Talaev before roaring off with a dozen other Chechen fighters in a truck and car.

A group of mothers who had traveled to the besieged Chechen capital to seek news of their soldier sons said Friday that they had won the release of six Russian prisoners of war. The soldiers were evacuated Thursday night after Chechen fighters led the women deep into Grozny to pick up the captives.

Some of the women described the Russian bombardment as terrifying. Several said they were convinced that the Russian soldiers had been ordered to fire on them. "Russian soldiers bombed Russian mothers," said one, Vera Ivanova, who still has no word about her 20-year-old son.

A delegation from the 53-member Organization for Security and Cooperation in Europe arrived in neighboring North Ossetia on Friday from Moscow. The five-member team plans to talk to Russians and Chechens and to monitor human rights in the conflict. It intends to visit Grozny on Sunday. (Reuters, AP)

It May Be Mothballs for the Smithsonian's Enola Gay Show

By Eugene L. Meyer

Washington Post Service

WASHINGTON — The top official of the Smithsonian Institution has "personally" taken charge of the Enola Gay exhibition and is reportedly ready to recommend its cancellation.

I. Michael Heyman, secretary of the Smithsonian, is "ready to cancel the exhibit," said Senator Thad Cochran, Republican of Mississippi and a member of the institution's board of re-

gents. "Our board will ratify his decision or act on it."

Senator Cochran said Mr. Heyman was considering a drastically stripped-down version of the exhibition, which has drawn fierce criticism from veterans, members of Congress, and others. The smaller display would include just the forward fuselage of the Enola Gay, the B-29 bomber that dropped the first atomic bomb on Japan, and pictures and information

about the crew and its mission.

Mr. Heyman has come under intense political pressure to cancel the show and to dismiss the director of the National Air and Space Museum, Martin Harwit, whom critics blame for the escalating controversy.

Days ago, Mr. Heyman canceled a meeting Mr. Harwit had called of the exhibition staff to devise a fallback position. "The secretary is personally in charge of it," said Linda St. Thomas,

his spokeswoman. She said Mr. Heyman would have no comment until Monday, when the regents are scheduled to meet.

Earlier this week, Senator Bob Dole, the majority leader, called for hearings on the direction of the Smithsonian, and 81 members of Congress joined with veterans' groups in calling for Mr. Harwit's removal. However, Ms. St. Thomas said Mr. Heyman was standing behind the embattled director.

Affecting the balance of power on the board of regents could be the presence of four new Republican members named by congressional leaders.

The show, which was scheduled to open in May, has been under attack ever since the first script surfaced a year ago. Critics said the 500-page document portrayed the Japanese who died in the attacks as victims of ruthless Americans determined to avenge Pearl Harbor.

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THE AMERICAS / THE AMENDMENT

House Republicans Gleefully Pass Budget Measure

By Michael Wines

New York Times Service

WASHINGTON — The House of Representatives has voted to amend the U.S. Constitution for the 28th time in 203 years, to prohibit the federal government from spending more money than it takes in.

The vote was 300-132, with three Democrats not voting. That is 12 more than the two-thirds of House members present required to adopt a constitutional amendment. Two Indiana Republicans, John Hostettler and Mark Souder, voted against it. Seventy-two Democrats supported it.

The measure now goes to the Senate, which is considering an identical proposal, and where the amendment's fate is widely said to hang on no more than a vote or two.

Should the Senate approve it, the amendment will go to the state legislatures. If 38 vote to ratify, it will become part of the constitution.

The House action was a triumph for conservatives and especially for the House speaker, Newt Gingrich, whose campaign promoted a budget amendment as the ultimate cure for the government's improvidence and bloat.

Chants of "Newt! Newt! Newt!" rang from the Republican side of the chamber as Mr. Gingrich assumed command of the big wood-and-marble rostrum at the front of the House to oversee the final votes.

And they broke into whoops and cheers when the tally reached the necessary minimum for passage.

"It's a historic moment for the country," Mr. Gingrich said after the vote and after he had spent 15 minutes autographing copies of the amendment for elated Republicans.

"We kept our promise; we worked hard; we produced a real change."

Yet, the victory was not quite as sweet as Mr. Gingrich and the most deeply conservative Republicans

around him had sought. They had pressed all month for a stricter version of the amendment, embodied in the speaker's "Contract With America" political manifesto, that would not only have mandated a balanced budget but would have barred tax increases without the consent of three-fifths of the entire membership of both houses of Congress.

Mr. Gingrich lost that fight earlier in the day, when that version gained only 253 votes, with eight Republican defections. The version that was approved, written by Charles Stenholm, Democrat of Texas, and Dan Schaefer, Republican of Colorado, requires only a majority of all members of the House and the Senate to approve any bill that increases revenue.

"This is the culmination of 10 years of deliberation on the part of so many," Mr. Stenholm said. "It's not something we have come to in the last few days."

House conservatives, who had tried

and failed three times since 1990 to enact a balanced-budget amendment, swept the chamber this time with an alliance of Democrats and Republicans, and even some moderates and liberals.

In contrast to past debates, the arguments this week dwelled less on the need for a budget-balancing amendment than on how stiff it needed to be.

Nothing epitomized that more than the sight of Representative Joseph P. Kennedy 2d, a liberal Democrat from Boston and a nephew of Senator Edward M. Kennedy, who strongly opposes the amendment, standing on the House floor and explaining why he supported a cause that is conservative to its roots.

"The fact of the matter," he said, "is that in this country, working people and poor people have not made out in the last 15 years with these rising debts."

The feeling that the lawmakers were

making statements on a foregone conclusion lent an almost flat air to two days of debate over what both sides agree would be a historic change in the way the government operates.

The amendment that now goes to the Senate is straightforward enough. By the year 2002 or two years after ratification, whichever is later, the government would be required to operate by annual budgets in which spending does not exceed income.

But it is not ironclad. Congress could approve specific instances of deficit spending if three-fifths of the total membership of the House and Senate separately approve. Congress could also raise the debt ceiling, allowing the government to sell more Treasury bonds to finance deficit spending, if three-fifths approve.

The balanced-budget requirement could also be suspended when a war is declared and during other military conflicts if Congress agrees in a joint resolution.



Patty Glass Goldman, stepmother of Ronald Goldman, holding her ears at a trial hearing.

Upheaval in Simpson Trial

Prosecution Says It's 'Sandbagged' by Defense

By William Claiborne

Washington Post Service

LOS ANGELES — A bitter dispute over the introduction of new defense witnesses has thrown the O. J. Simpson murder trial into turmoil, delaying the rest of the defense's opening statement until Monday at the earliest.

Marcia Clark, the chief prosecutor, charged that Mr. Simpson's chief trial counsel, Johnnie L. Cochran Jr., by invoking in his opening statement witnesses whose names had been withheld until the last minute, had "sandbagged" the prosecution and seriously damaged the case against Mr. Simpson, who is charged with murdering his former wife, Nicole Brown Simpson, along with her friend Ronald L. Goldman last June 12.

In unusually strong language even for a trial with such a high emotional pitch, Ms. Clark on Thursday called Mr. Cochran's courtroom behavior "disgusting," adding that it was "appalling to me as an officer of the court."

Mr. Cochran accused the prosecution of seeking to hobble the defense by unfairly restricting his opening statement

and the defense's ability to try the case.

"There is no misconduct in this case," Mr. Cochran told Judge Lance A. Ito. "They can't stand the truth."

Ms. Clark asked Judge Ito to instruct the jury, which was not in court for Thursday's session, to disregard the defense's so-called mystery witnesses and to allow the prosecution to reopen its opening statement in rebuttal.

She also asked for a 30-day delay to give the prosecution time to investigate the dozen or more additional witnesses, several of whom Mr. Cochran mentioned to the jury.

Judge Ito did not rule on Ms. Clark's requests Thursday but instead recessed the court until Monday. The judge said he would issue a ruling possibly by late Friday and that Mr. Cochran could resume his opening statement on Monday.

A prosecutor, Christopher Darden, charged that the witnesses mentioned in Mr. Cochran's opening statement included "heroin addicts, thieves, felons and a court-certified pathological liar."

Mr. Darden described as a

particularly "low blow and a cheap shot" Mr. Cochran's "waving in front of the jury" the sealed mystery envelope that the defense turned over to the court before last year's preliminary hearing.

The envelope's contents have never been officially disclosed, but Mr. Darden said Thursday that it contains "an unspecified knife, as I understand it."

Among the new witnesses mentioned by Mr. Cochran to the jury was a woman who told defense lawyers that while walking near Mrs. Simpson's home near the alleged time of the murders, she saw four men acting suspiciously before they sped away in a car.

Mr. Darden said Thursday the woman, identified as Mary Anne Gerghas, has nine lawsuits pending, had passed \$10,000 in bad checks and had defrauded hotels of \$23,000 by not paying room bills.

30% Time In to O.J. Trial

The first three days of the Simpson trial proved to be a winner for the U.S. television networks, with up to 30 percent of Americans tuned in, Reuters reported from Los Angeles, quoting a ratings analyst.

Mr. Darden described as a

In New Book, Simpson Proclaims Love for Wife

The Associated Press

NEW YORK — O. J. Simpson says in his new book he would "jump in front of a bullet" to protect the former wife he is accused of killing.

"How could anybody say I killed this woman?" he writes in "I Want to Tell You," which arrived in stores on Friday. "How can anybody say that? Don't they understand that I'd jump in front of a bullet for Nicole?"

"I wonder what Nicole was thinking at the end," continues Mr. Simpson, who is charged with the murders of his former wife Nicole Brown Simpson and her friend Ronald L. Goldman. "I think now about what must have been going through her head when she realized what was about to happen to her."

Mr. Simpson also expressed sympathy for Mr. Goldman's family, writing, "I feel his family's hurt and pain; but I had nothing to do with his death. To me he is like the unknown soldier, courageous."

The book was published by Little, Brown & Company, with a first printing of 500,000. An audiocassette, with a subdued-sounding Mr. Simpson reading sections of the book, was released Friday by Time Warner AudioBooks. Little, Brown would not confirm reports that Mr. Simpson received a \$1 million advance for the book.

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"Luckily I had earned enough money those years to pay our living, but now I am a beggar, having lost everything."

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Herald INTERNATIONAL **Tribune**

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Herald Tribune

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Pass the Mexico Plan, Now

The Situation Is Volatile

The Clinton administration has failed to rally congressional support for its plan to stabilize Mexico's peso. That is alarming. The crisis threatens to engulf not only Mexico but other recently reformed Latin American economies as well. U.S. financial interests are at risk. From Wall Street speculators to the pension and mutual-fund accounts of millions of middle-class Americans. Finally, the crisis is a major test of Washington's ability to act decisively in an international emergency that is as close to home as those emergencies come.

Yet even after hearing Treasury Secretary Robert Rubin and the Federal Reserve's Alan Greenspan describe the economic dangers, and Secretary of State Warren Christopher the diplomatic consequences, members of House and Senate committees remained decidedly cool to the package. The plan would provide \$40 billion in loan guarantees, at minimum financial risk to the United States.

That is a troubling start to a congressional session in which bipartisanship will be required on matters of vital national interest. There has been little political courage on this issue from either party, but House Democrats are most conspicuously to blame. Most of them opposed the North American Free Trade Agreement, which only passed because most Republicans voted for it. The House speaker, Newt Gingrich, hints that he would be willing to mobilize Republican support behind the

A Sales Job Is Required

If the roll were called today on Capitol Hill, chances are that the Clinton administration's Mexican loan guarantee plan would be in serious trouble in the House and maybe the Senate. The \$40 billion rescue package has steadily lost ground since its announcement. Instead of building steam for a legislative victory, the Clinton administration is courting a major failure. Unless Bill Clinton can do a better job of convincing Congress and the public that the loan guarantee's passage is vital to U.S. interests—which it is—he is headed for one of the most stinging rejections of his presidency.

Part of what Mr. Clinton is up against is Congress's almost gravitational resistance to facing difficult political realities it can put off. The Mexican loan package is not easily sold to voters back home. The fear of being accused of bailing out a foreign neighbor with taxpayer funds is palpable on the Hill. It is up to the president to lay out the evidence that those fears are unfounded. He has a credible case on which to base his support for the guarantee plan.

An ailing Mexican economy is a threat

Fighting the Revisionists

It is 50 years this week since the Soviet Army liberated the survivors at the death camp at Auschwitz, and the recent ceremonies in Poland to mark this awful anniversary did not proceed smoothly. Given the agonizing weight of the subject, this was perhaps inevitable, but that doesn't make it any less disturbing.

Competing ceremonies on and off the camp grounds, disputes over whether, when and in what language prayers would be recited, wrangles with the Polish government over the relative weight to be assigned Jewish and Polish suffering, confusion over whether the major Jewish organizations would attend and who else would be invited—all these added an uneasy tone to an occasion of solemn sadness.

Much of the tension reflects an awkward history of Polish-Jewish contention over Warsaw's view of the camp as the site, first, of a great Polish national martyrdom, and only secondarily as what Jewish representatives refer to as "the largest Jewish cemetery in the world."

The last round of such tensions ended when Vatican authorities finally compelled a reluctant Polish Catholic establishment to remove a group of nuns from a convent on the Auschwitz grounds, where Jewish delegations had persistently protested their presence.

Several major Jewish organizations this time had refused to commit themselves to attending the commemoration ceremony out of concern over apparent Polish government resistance to stating outright that 90 percent of the victims murdered at Auschwitz were Jews.

In the end, they declared themselves satisfied with the "Jewish content" of the ceremonies but less so with the decision concerning prayer.

The playing down of Auschwitz's identity as a place of mainly Jewish annihilation was, of course, a systematic distortion done under the Communists. Opinion survey data taken in Poland and reported in The New York Times indicate that a high proportion of Poles today—almost half in some reckonings—quite literally do not know the figures that paint so horrendous a picture.

It may be useful to view the frictions around the anniversary not as an upsurge of some terrible and recurrent Polish anti-Semitism but as yet another chapter in the painful quest of East European and post-Soviet bloc countries to get their history sorted out and to learn, sometimes with difficulty, what was true and what wasn't. Those who see the importance of fighting Holocaust revisionism today will keep their minds on the importance of forging ahead through disputes like these, seeing that their educational value is worth some bitterness and confusion along the way.

—THE WASHINGTON POST.

Other Comment

Aftershocks in Israel

When Prime Minister Yitzhak Rabin toured the bloody carnage inflicted by the latest suicide bombing, hecklers shouted at him: "How much longer?" This [reflected] the widespread fear among Israelis over the implementation of the Oslo accord and what it means for Israel's future.

Fortunately, the Israeli cabinet has de-

clined to continue the negotiations with the PLO. But the bombing could still have its desired effect. The cabinet has adopted a range of retaliatory political measures [which] inevitably will place strains on the Israel-PLO negotiations. It is still to be seen whether the cabinet will remain firm in its determination once the politicians begin to feel the aftershocks of national outrage over the latest bombing.

—The Sydney Morning Herald.

A Visit to Auschwitz: There Was Nothing New to Report

By A. M. Rosenthal

Mr. Rosenthal wrote this in August 1958 during a tour as a New York Times correspondent in Poland.

THE MOST TERRIBLE thing of all somehow, was that at Brzezinka the sun was bright and warm, the rows of graceful poplars were lovely to look upon and on the grass near the gates children played.

It all seemed frighteningly wrong, as in a nightmare, that at Brzezinka the sun should ever shine or that there should be light and greenness and the sound of young laughter. It would be fitting if at Brzezinka the sun never shone and the grass withered, because this is a place of unutterable terror.

And yet, every day, from all over the world, people come to Brzezinka, quite possibly the most grisly tourist center on earth. They come for a variety of reasons—to see if it could really have been true, to remind themselves not to forget, to pay homage to the dead by the simple act of looking upon their place of suffering.

Brzezinka is a couple of miles from the better-known southern Polish town of Oswiecim. Oswiecim has about 12,000 inhabitants, is situated about 170 miles (275 kilometers) from Warsaw and lies in a damp, marshy area at the eastern end of the pass called the Moravian Gate. Brzezinka and Oswiecim together formed part of that minutely organized factory of torture and death that the Nazis

called Konzentrationslager Auschwitz. By now, 14 years after the last batch of prisoners was herded naked into the gas chambers by dogs and guards, the story of Auschwitz has been told a great many times. Some of the inmates have written of those memories of which sane men cannot conceive. Rudolf Franz Ferdinand Hoss, the superintendent of the camp, before he was executed wrote his detailed memoirs of mass exterminations and the experiments on living bodies. Four million people died here, the Poles say.

And so there is no news to report about Auschwitz. There is merely the compulsion that grows out of a restless feeling that to have visited Auschwitz and then turned away without having said or written anything would somehow be a most grievous act of discourtesy to those who died here.

Brzezinka and Oswiecim are very quiet places now, the screams no longer heard. The tourist walks silently, quickly at first to get it over with and then, as his mind peoples the barracks and the cham-

bers and the dungeons and the flogging posts, he walks dizzily. The guide does not say much either; there is nothing much for him to say after he has pointed.

For every visitor, there is one particular bit of horror that he knows he will never forget. For some it is seeing the rebuilt gas chamber at Oswiecim and being told that this is the "small one." For others it is the fact that at Brzezinka, in the ruins of the gas chambers and the crematoria the Germans blew up when they retreated, there are daisies growing.

There are visitors who gaze blankly at the gas chambers and the furnaces because their minds simply cannot encompass them, but stand shivering before the great mounds of human hair behind the plate glass window or the piles of babies' shoes or the brick cells where men sentenced to death by suffocation were walled up.

One visitor opened his mouth in a silent scream simply at the sight of boxes—great stretches of three-tiered wooden boxes in the women's barracks. They were about 6 feet wide, 3 feet high (about 2 meters by 1 meter), and into them from 10 to 15 prisoners were shoved for the night. The guide walks quickly through the barracks. Nothing more to see here. A brick building where sterilization

experiments were carried out on women prisoners. The guide tries the door—it's locked. The visitor is grateful that he does not have to go in, and then flushes with shame.

A long corridor where rows of faces stare from the walls. Thousands of pictures, the photographs of prisoners. They are all dead now, the men and women who stood before the cameras, and they all knew they were to die.

They all stare blank-faced, but one picture, in the middle of a row, seizes the eye and wrenches the mind. A girl, 22 years old, plumply pretty, blonde. She is smiling gently, as at a sweet thought. What was she thinking about that passed through her young mind and is now her memorial on the wall of the dead at Auschwitz?

Into the suffocation dungeons the visitor is taken for a moment and feels himself strangled. Another visitor goes in, stumbles out and crosses herself. There is no place to pray at Auschwitz.

The visitors look pleadingly at each other and say to the guide, "Enough." There is nothing new to report about Auschwitz. It was a sunny day and the trees were green and at the gates the children played.

The New York Times.

Bosnia, Grozny, Beit Lid: And They Say It'll Never Happen Again?

By William Pfaff

PARIS — The 50th anniversary this week of Auschwitz's liberation coincided with a peculiarly horrible act of terrorism in Israel, the metaphorical sowing of salt by Russian troops in Grozny as war in Chechnya spreads, and a drift toward renewed war and atrocity in Yugoslavia.

Auschwitz is, of course, the unique item on the list because what happened there was the product of an abstract theory. The others express the blind hatred, although recreating an independent Palestine, or creating a Greater Serbia, or enforcing the indivisibility of Russia, are rational political projects. They are intellectually defensible projects embellished by inherited or acquired blind hatred. Hitler's program was criminal from the start, but rational.

It seems worth talking about these things together because to do so emphasizes how insecure our world actually is. Since World War II, the Western countries have lived in an exceptional condition of intellectual and emotional security. The professionals worried about Berlin crisis scenarios and nuclear sufficiency or overkill, but most people did not believe there was going to be a war, and for them life was very good.

People in the West lived well, grew more prosperous, saw their children do better and better. Most of all they were sure of themselves and of their countries. Most people believed the great international cause of the Cold War was just one. Its great moral scheme reassured them. But with victory in the Cold War in 1989, the great and reassuring scheme of things vanished.

This coincided with the beginning of a general decline of middle- and working-class security and living standards in the West, a result both of objective economic factors and of Western politicians' new enthusiasm for the unregulated marketplace. Life was no longer getting better.

However, the most important factor in this dawning uneasiness was intellectual. The political and moral scheme of the Cold War was gone. The instabilities inherent in international relations were freed from the Cold War prison in which they had been kept for 40 years. The Soviet Union had brutally con-

trolled the turbulent ethnic states of Eastern Europe, the Balkans and the old czarist empire. In the West there had been a self-imposed, and to a degree American-imposed, discipline.

These important institutional changes had justified a belief that the post-Cold War world would be less dangerous than before. A very high level of international cooperation existed among the democracies, in NATO, the Organization for Economic Cooperation and Development, the Group of Seven industrial democracies, the international lending agencies. The advanced economies had become all but inseparable. Finance and corporate business had been internationalized, as had intellectual life, scholarship, popular communications.

Most important of all was the West European nations' political and economic integration. All of this by 1989 had created in the West a conviction that we lived in a solid, peaceful, strong, cooperative community that would keep us safe. We were wrong.

Russia, stagnant and stultified under Leonid Brezhnev, now is in a terrible crisis and at war with itself. There is Balkan war, and none of the fine Western institutions could stop it. In the Middle East, where there was hope that reconciliation finally had become possible, it now seems that the war between the Palestinians and the Jews has gone on too long for either to stop.

People this past week kept repeating "never again." Why should they think Auschwitz can never happen again? Genocidal war is back. Civilians are routinely targeted by armies and air forces. Terror is commonplace. There are sinister political developments in Russia. The United States has turned inward and indifferent. The international institutions that contributed to the conviction that it can't happen again—the European Union, NATO, the United Nations—are weakened, if not foundering. Of course it could happen again. The problem is to see that it doesn't.

International Herald Tribune.
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Strange How He Glossed Over Foreign Policy (Except on the Peso)

By Stephen S. Rosenfeld

WASHINGTON — The curious fact is that President Bill Clinton all but omitted foreign policy from his State of the Union address. In circumstances where he needed help, this might have helped him a bit.

It is not that his stewardship of the American interest, or the course of post-Cold War developments, proceeds so uneventfully or smoothly that no accounting is required. Mr. Clinton is still the reluctant world leader. His judgments on the hard tradeoffs of interests and values, and his decisions on how to handle things, are less than authoritative. International life itself is no longer nail-biting and apocalyptic in the manner of the Cold War but is mean and unrelenting all the same.

Still, an unmistakable setting-down has taken place. The nervousness and the curiosity about the new man have faded. People

now know — and perhaps Mr. Clinton himself now better knows — that he can do that part of his job. After two years he has been engaged in all the big issues, and he has been places and met the players. Demands for "vision" have yielded to passing grades for seriousness. The surviving Clinton team has run the Washington gauntlet, and the president seems comfortable enough with it. His critics appear to accept that he won't tip over the boat.

Early returns on the first confrontation of the new Republican Congress with the Clinton foreign policy, over the nuclear accord with North Korea, are interesting. The legislators came on strong, even as the most-feared hit man, Jesse Helms, chairman of the Senate Foreign Relations Committee, had an unexpected attack of respectability.

But the Republicans could not explain why two of their presidents had let the Korean bomb menace fester untended for 12 years. Nor could they offer a policy superior to the Clinton team's extended negotiation now being tested. On other issues the challenge would be tougher.

For the impression of survival-and-then-some that Mr. Clinton now casts, Secretary of State Warren Christopher deserves more credit than he has received. He does not come across as a commanding leader or conceptualizer. But, bureaucrat and lawyer that he is, he has quietly organized a policy that takes into account the neo-isolationist currents at home, especially on the pungent issue of the use of force, but endeavors to keep Americans

engaged in the world. Moreover, it is a policy with a theme — the shaping of a world of open societies and open markets — though not necessarily with a strategy on how to get there.

So why was the new political year's major summary statement of foreign policy presented by Mr. Clinton in a Jan. 20 speech at Harvard and barely touched on by the president in the State of the Union?

The answer must have something to do with the intense focus on domestic affairs that Mr. Clinton brought to the White House. He arrived believing, and he still seems to believe, that in that arena America's fate is going to be resolved. His personal and political molding in Arkansas may be one element in that choice. The ending of the Cold War lends historical plausibility to it.

In that same domestic arena,

Mr. Clinton may believe, his own political fate is going to be resolved as well. Not only has he begrudged time to foreign affairs — a mistake that has cost him in sureness of grasp. He also has tended to resist taking cover from domestic disappointments in that realm. Not for him to treat foreign policy as duty for an ordained nation or as therapy for a guilty one.

This is how Mr. Clinton came to give pride of place in his brief State of the Union listing of international cares to the Mexico peso crisis. It was, of course, the day's Topic A, but it also fits the established fundamental tenet of Clinton foreign policy — the business of America is jobs. "If we want to secure American jobs," Mr. Clinton began, we must act in Mexico. NAFTA, GATT, Asia Pacific tariffs, Japan market access, the Ron Brown trade blitz, rescue of the peso: Here is by far the dominant line of Clinton foreign policy.

Russia has been displaced at the center of continuing American concern by Mexico. The repair of the Russian economy, a project that Mr. Clinton followed his predecessor in embracing with some public urgency, has been let slip. The American stake in consolidating reform and democracy in Russia is still thought to be large, but it is also abstract, difficult to do, hard to quantify, residing in a vague future.

By contrast, the repair of the Mexican economy translates quickly and visibly into American jobs added, American exports boosted, Mexican immigrants contained: palpable items, manageable, easy to count, residing in the here and now. Russia is a foreign policy problem. Let Chris do it. Mexico is the 51st state of the union, the president's baby.

The Washington Post.

From Kobe and Mexico, Remarkably Similar Messages

By Philip Bowring

HONG KONG — In differing but complementary ways, the peso crisis and the Kobe earthquake should be shaking the countries and markets of Southeast Asia out of their complacency.

It is too early to do more than sketch out the possible longer-term impacts of Kobe. The immediate one may be beneficial for Asian (and other) producers of steel, cement, glass and so on — mainly South Korea and Taiwan. It is possible, in the medium term, that instead of rebuilding at home, Japanese firms will relocate more plants in Southeast Asia. Alternatively, disruptions to transport may make firms wary of dispersing component plants.

Longer term, the quake will reinforce the trend to increased import propensity in Japan, with domestic demand supplanting exports as the main source of growth in gross domestic product. This will be good for the world, and for Asian exports.

However, it will mean a drying up of the Japanese current account surplus. Southeast Asia has been the major beneficiary of recycling of the surplus; this has financed much of the region's rapid growth. Kobe's message is that exports will remain buoyant, and large current account deficits will be increasingly difficult to finance. The result: lower growth.

The message from Mexico is surprisingly similar. Initially, there were a few quiet sniggers around Asia at Mexican problems: This was proof that the Latin revival was hype, not substance. Latins did not have what it takes to emulate or challenge Asia. The smirks quickly vanished, however, when some Asian stock markets and currencies (notably the Thai baht and the Hong Kong dollar), were hit by waves of Western selling in the belief

that there was a string of would-be Mexican problems in Asia.

At the macroeconomic level, and with the exception of the Philippines, the dissimilarities are greater than the similarities. Foreign debt-to-GDP ratios for Southeast Asia are often higher than for Latin America — Thailand and Indonesia are around 60 percent, compared with Mexico's 35 percent. But Asian countries have kept big foreign exchange reserve cushions — \$28 billion for Thailand compared with less than \$10 billion for precrisis Mexico. And trade plays a much larger part in the Asian economies, so debt is more easily serviced.

Per capita income in Malaysia, for instance, is roughly similar to that of Mexico, but with a population less than a quarter of Mexico's, it exports the same amount. Currencies in Southeast Asia (and China) have mostly been kept deliberately undervalued to stimulate exports — Thailand, Indonesia, Malaysia as well as China have seen their real effective exchange rates decline in recent years.

Current account deficits in Southeast Asia also reflect much higher rates of investment — an average 35 percent against just over 20 percent in Mexico and most of Latin America. They have been financed by a mix of direct private investment, long- and short-term borrowings and portfolio flows. Mexico was financing its own mostly through that most volatile of all money — portfolio flows into equities and debt securities.

Most of the Asian countries concerned have records of macro-management which suggest that they can rein in their growth to keep their current deficits at financeable levels, keeping their currencies stable.

The exceptions are China, which is still largely closed, and totally open Hong Kong, with its formal peg to the U.S. dollar. Pegs have a habit of breaking under pressure. But the only pressure strong enough to break the Hong Kong one is the factor that led to it in the first place: the politics of 1997.

However, though the macro picture remains favorable, some Asian stock markets are as dependent as the Latin ones on foreign portfolio interest; this accounts for about 25 percent of Bangkok's turnover and new issue subscriptions. 30 percent of Manila's, 40 percent of Hong Kong's and more than half of Jakarta's.

So it is unsurprising that Southeast Asia cannot avoid sharp swings in foreign portfolio sentiment. Nor is the matter ended here. If total flows into U.S. equity mutual funds decline, expect further pain in Asian markets. So Mexico is both symptom of a tightening in world liquidity and reason why the past beneficiaries of easy money may now have to tighten their belts.

This could mean higher interest rates in Thailand and Malaysia having to accept growth levels around 6.5 percent, not 8.5 percent. That is hardly disastrous. But it would be a significant change. It also spells trouble for the most indebted country in the region, Australia, which is now in as deep a hole as New Zealand was a decade ago and has a heavily traded currency vulnerable to attack.

The other Asian lesson of the crisis is that the United States has to go to almost any lengths now to help Mexico. This is not just to protect the tens of billions of capital poured into Mexico over the past four years and the

rescue package before Congress. It is to shore up what will remain a keystone of U.S. policy — the North American Free Trade Agreement.

Washington. For the United States, NAFTA is an expression of foreign, domestic and trade policy all in one. It is also the other side of the coin of Mexico's commitment to liberal economic policies and general good neighborliness on two highly sensitive domestic issues on both sides of the Rio Grande — immigration and employment. The knock-on effect of Mexico's problems on Argentina and Brazil may also stiffen hemispheric cooperation, even if the short-term effect is to slow trade and investment.

International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: Gold Crisis Nears

PARIS — [The Herald says in an editorial:] The United States Treasury is perilously near a suspension of gold payments. The gold reserve is down to \$56,000,000. Fourteen millions were drawn out last week. At this rate four weeks would completely strip the Treasury of gold. In this crisis Congress must act or the United States will soon be de facto on a silver basis. It would be well for the country if its legislators would heed the Herald's advice and adopt in time the only remedy — a popular loan.

1920: Flu Deaths Down

NEW YORK — There have been only 1,712 new cases of influenza reported during the past twenty-four hours. The disease this year is of a milder form than that which swept the country last year, as is

1945: Blame for Defeat

PARIS — [The Herald says in an editorial:] Japanese officials strive to avoid responsibility. They prefer to make decisions in conference. This characteristic of their government so affects its operation that Western writers have a problem in trying to define where power lies in the imperial regime. The Japanese themselves, when things go wrong, are hard pressed to know where to place the blame. However, hints contained in Japanese broadcasts indicate that to Premier Kuniaki Koso may be awarded responsibility for the long series of military defeats which came to a climax with the American invasion of Luzon.

International Herald Tribune

ESTABLISHED 1897

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Tel.: (1) 46 37 91 01, Fax: (1) 46 37 01 51. Ad: (1) 46 37 52 12. Internet: IHT@comcast.com
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London: The Times Building, 1, Abchurch Lane, London, E.C. 4N 3DF. Tel.: (01) 490 1200, Fax: (01) 490 1201.
Tokyo: The Asahi Building, 2-2-1 Nishi-Shinjuku, Tokyo, Japan. Tel.: (03) 3281 1111, Fax: (03) 3281 1112.
S.A. au capital de 1,250,000 F. R.C. Nanterre, 75320120. Commission Paritaire N° 6133.
P.P.S. International Herald Tribune. Membre associé de l'UITP (UITP 024-8952).

San Francisco's New Art Shrine

By Michael Kimmelman
New York Times Service

SAN FRANCISCO — Painters like Clyfford Still and Richard Diebenkorn and eccentrics like Bruce Conner and William T. Wiley have helped to make San Francisco a center of modern art for half a century.

Yet the Museum of Modern Art here has long been a poor cousin to other local cultural institutions.

For 60 years it rented cramped quarters upstairs in the Beaux Arts-style War Memorial Veterans Building in the Civic Center, where most of the permanent collection had to come down to make way for temporary exhibitions.

The museum gave Jackson Pollock and Arshile Gorky their first shows in the 1940s, but it was always an uphill struggle because of space. Now with the \$62 million, 225,000-square-foot (20,000-square-meter) structure Mario Botta, the Swiss architect, has designed for it, the San Francisco Museum of Modern Art has a home of its own.

It is a distinctive and sober building, already ballyhooed here as a major architectural landmark, although it hardly seems that. The art collection, which San Franciscans hadn't had an adequate chance to assess in the old space, turns out to be as spotty as skeptics suspected.

But the new museum is a big leap forward for contemporary art in this city.

The area was once a skid row. The Moscone Convention Center opened there, along with the Ansel Adams Center and the multi-use Center for the Arts. The Museum of Modern Art was to be the cultural linchpin of the neighborhood, with a Jewish museum and a Mexican museum on the way.

Everything is displayed on the museum's four upper floors.

With 50,000 square feet of gallery space, the museum says it's second in size to the Museum of Modern Art in New York, among modern U.S. art museums. Frank Lloyd Wright's Guggenheim is a fair equivalent, and not an inappropriate comparison, considering Botta's design.

The museum consists of galleries rising around a central, skylighted atrium. The overall structure, roughly speaking, is a series of stepped-back blocks with a cylinder in the middle containing the soaring light well and stairway, which, like the Guggenheim's ramp, is the dramatic focus of attention inside the building.

Outside, rising above the nearly windowless, striated brick facade, is the giant black-and-white striped silo of the central well, sheathed on the top by a 130-foot-high (40-meter-high) elliptical skylight that has already become the museum's trademark.

The design partly recalls Wright's, and Louis Kahn's Yale Center for British Art. But it also alludes to Italy: People at the museum talk a lot about Botta's lobby being like a piazza, his stairwell a campanile, and not just because the stripes he so often uses resemble the ones on Siena's cathedral. Like a piazza, the lobby is supposed to be a gathering place, its store and café and theater a magnet to draw visitors, even those who don't want to see art.

Museums have increasingly become multipurpose emporiums, places to shop and eat. They depend on the income they get from these businesses, and their buildings are designed accordingly. The model today is the Louvre, where I.M. Pei's pyramid is designed to process hordes of visitors. There's no art in the pyramid. Many people don't even venture beyond it into the galleries. They just browse in the stores and eat in the restaurants.

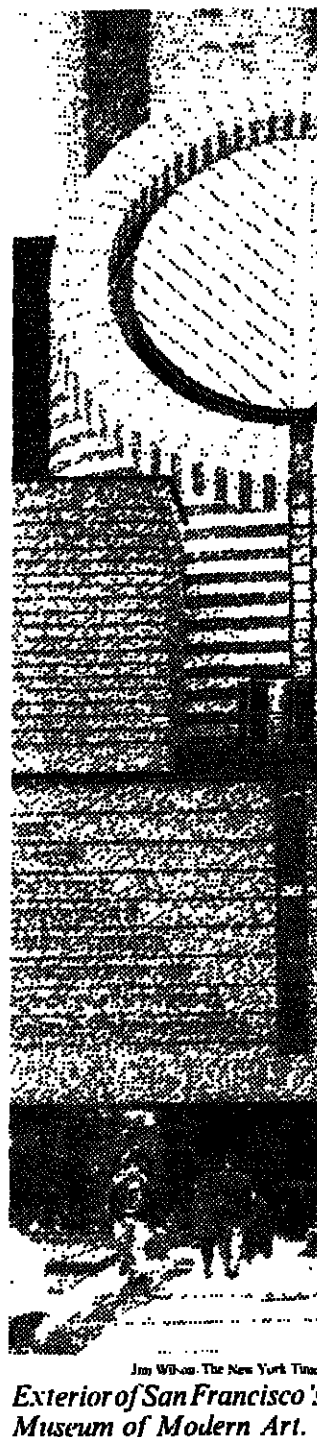
The San Francisco Modern Art Museum isn't the Louvre. But talk about piazzas, and urban renewal doesn't change the fact that a visitor pays to go upstairs before seeing a single painting or sculpture, just as in the old War Memorial building.

As for the collection, the first of two installations of recently acquired contemporary art is on view. Clearly the new museum has been a spur to donors. This installation includes late 20th-century abstractions, German and American mostly, which Gary Garrels, the curator of sculpture and painting, has intelligently arranged in the top-floor gallery. Among the works are big paintings and sculptures by Anselm Kiefer, Sigmar Polke, Bruce Marden and Ellsworth Kelly, which there would never have been room to display in the old building, along with a small picture by Robert Rauschenberg. Less impressive are works by Jenny Holzer and Jeff Koons, which look stranded near the stairwell, outside the gallery.

THE permanent collection has a few virtues. It includes outstanding photographs (and finally there are adequate galleries devoted solely to them), important Fauvist Masterpieces, a great pre-drip Pollock and groups of works by the postwar painters Still and Philip Guston. But it doesn't own any examples of Futurism or Russian Constructivism or a significant Picasso.

Botta's galleries are the strength of the new San Francisco Museum of Modern Art. The best thing Botta did was to create the huge single room on the top floor. It is approached by a veriginous metal bridge suspended 75 feet in the air, above the central well, below the tilted oculus.

Even subdivided as it is now by walls on which to hang Polkes and Mardens, it is an inspired place to see art.



Jim White/The New York Times
Exterior of San Francisco's Museum of Modern Art.

Visions of a Vanished Past

International Herald Tribune

PARIS — There is an irresistible lure about the relics of a vanished past. But when those who give in to it are 20th-century artists, it seems like an unspoken confession.

A surprising collection of architectural drawings, plans, elevations and interior designs was to be seen this week at the Hotel Drouot in an unobtrusive sale conducted by Jacques Tajan with the assistance of the expert Bruno de Baysier. The drawings ranged mostly from the mid-18th century to the 1830s, when French Neoclassicism was on its last gasp. In keeping with traditional Drouot secrecy, the catalogue cryptically referred to the works offered for sale as a collection of *un amateur* (a private collection). But a seal stamped on the back of most framed pieces gave away the name. It read "[Armand] Albert Rataureau."

The drawings that projected an elegant, restrained vision of 18th-century France had once belonged to the Art Deco designer whose furniture, ornate and fussy, so frequently qualifies as kitsch. These were the last batch of a once large assemblage consigned for sale by the designer's son. The collection was clearly formed without any preconceived idea by a man who seemed to be looking for the trade secrets behind the aesthetics of a period he intensely admired. As if he had sensed the answer from the outset, there was a remarkable consistency about the selection.

The few Baroque drawings were light-hearted and devoid of any bombast. A view of the church San Filippo Neri in Naples by Jean-Louis Desprez dates from the 1780s. It has the alacrity of a Mozartian operatic set. The piazza with the church facade as a backdrop and five-to-six-story buildings of Spartan simplicity on the sides looks like a theatrical stage. The illusion is reinforced by the faces looking down from every window. A winding procession of churchmen taking a cataphalque to the church gate seems to be performing some ballet under the gaze of wealthy onlookers at left who have just stepped out of their horse carriages.

Desprez did this drawing while accompanying the Abbé de Saint Non, with Hubert Robert and Fragonard, on his journey to Naples and Sicily. Not exactly in mint condition, the drawing nevertheless gracefully ascended to 39,418 francs (\$7,500).

There was no such luck with the other evocation of Baroque architecture, by Fernando Galli Bibiena. An unreal palace, out of which one expects Don Giovanni to step

forward at any moment and to vanish into the equally unreal urban vista on the left, suffers from an incurable plague. The brown ink has half eaten its way through the paper. No bid came forth.

With few other exceptions, such as a Piranesi sketch that aroused total skepticism, the attendance fell under the spell of Rataureau's choice. The Art Deco designer had a soft spot for Neoclassicism. He liked

SOUREN MELKIAN

orderliness in a light key, best summed up in the view of a square pavilion topped by a belvedere. A signature, "Oudinot," and a date, 1782, are inscribed on the stone wall of the garden enclosure in the foreground. But a name matching the date is nowhere to be found in draftsman's biographical dictionaries. That is not surprising. This is not a painter's drawing but a working project submitted by an architect for final approval.

Attention has been brought to trifling details — the horizontal blue streaks on the white blinds, the carmine red touches on the streamer on the roof, as well as a purely practical outgrowth along the road. The garden curiously combines a formal arrangement with what appears to be a utility purpose — beds of plants succeed each other in parallel rows. Gardens are all the rage right now and precise drawings such as this are rare documents, as well as evocative pieces. The Oudinot ended up at a huge 56,937 francs.

BUT Rataureau's heart, it seems, really lay in the Ledoux brand of Neoclassical architecture, with domed pavilions and small arched doorways. He had two prints heightened with wash showing Ledoux structures, both from the famous collection of prints published in 1829 under the care of Krafft and Ransonnète. Even these did well, each going for 6,570 francs.

Rataureau's most interesting acquisitions, here as elsewhere, were the working drawings. There was a delightful sheet of elevations and ground plans for reservoirs, probably by François-Joseph Bellanger. Highly suggestive of the lean, quiet elegance of late 18th-century architecture, it made a comfortable 9,307 francs, despite the technical nature of the study.

That the evocation of the past was the main concern, not artistry, was shown when a curious unsigned working project came up. An octagonal domed lodge stands next to a grill behind which a park can be seen. The lodge is drawn with great

accuracy, particularly with regard to cast shadows. This, de Baysier remarks, is the hallmark of a trained architect's drawing. Once this was achieved, the professional must have thought his project needed a nice bit of leafy setting to make it sing. He painted a rather fluffy highly conventional landscape all around. The contrast is incongruous, but the projected structure as such is a gem. Ignoring everything else, including some flaking to the gouache, a buyer gladly paid a comparatively huge 22,994 francs. De Baysier is convinced that the lodge really was built — in this highly finished form, projects were the ultimate step leading to the contract. But he was unable to trace the drawing to any known monument.

The past that might have been, but never was, can hold a strong appeal. In the 1830s, Louis-Pierre Baltard thought up a project for a *faculté de médecine*. A long two-story facade, with statues in niches on the upper level, is carefully drawn on joined sheets of paper 145 centimeters long. Trees roughly outlined at either end show that this study was for internal use in an architect's workshop. The final stage was never reached. The would-be facade cost its buyer 12,044 francs.

The Paris that was, but is not quite the same anymore, probably stirred the deepest emotions. We owe it to Pierre Courvoisier to know what the Palais de l'Institut looked like under Napoleon when seen from the Louvre, across the river. A gouache of his, probably done to be lithographed, cannot be later than 1804, the year of the artist's death. It shows two charming small stone pavilions no longer extant, on either side of the Pont des Arts. On the bridge, rows of lampposts anticipate the later *bees de gaz* with which the Paris image of the early 1900s became inseparably linked. These, too, went long ago.

Courvoisier was, alas, no genius. He had little sense of proportion, a regrettable shortcoming when dealing with architecture, and his characters are as lively as dummies in a shop window. But the panoramic view with the Gothic spires of a church, also long gone, rising in a haze behind the Institut, proved irresistible to old Parisians. It ascended to 27,374 francs. Nothing in Rataureau's oeuvre remotely suggests the unsuspected love for the subject aspects of the classical legacy that the sale revealed. When he turned to Neoclassicism for inspiration, the designer only succeeded in producing parodies. He had eyes to see great things, but not to invent them.

BOOKS

CHILDREN AND FOOLS

By Erich Fried. 168 pages.
\$14.99. Serpent's Tail.Reviewed by
Margo Jefferson

WE cannot escape history, but some of us do manage to outwit it. (Outwit in what the dictionary says, meaning not just to outsmart but also to surpass in wisdom.)

This is what Erich Fried has done in "Children and Fools," a collection of 34 stories. None is longer than 10 pages. Some are perfect tales; some are not. But nearly every one is a small monument to literary and emotional virtuosity. (What is emotional virtuosity? The linking of pure generosity and utter clarity.)

Fried died in 1988. He was an Austrian Jew born in 1921, and he fled to England in 1938 after his father was killed by the Gestapo. To be exact, as Fried would say, his father's stomach was kicked in during an interrogation.

The work of surviving and outwitting history began five and a half weeks before that death.

"Have you still not had enough?" asked my grandmother shaking her head. "How long have you been sitting by the radio? We, my father and I, had been sitting there for hours already, and listening, listening, listening. The whole day, in fact. We had enough, more than

enough, but we couldn't tear ourselves away. And what else was left to us, except to hear what was happening? We had become, at least for the moment, entirely passive receivers of history, suffering it. It was the 12th of March 1938. Austria had ceased to exist the evening before."

Till then, Fried had lived a bourgeois life of privilege, small pleasures and discreet family traumas. He had been a poor athlete, which irritated his father, but he had become the star of a troupe of child actors, which thrilled his mother.

Like all respectable Viennese children, he had a nursemaid "or, as we called it, a children's miss." He went to the movies and recorded his feelings about them in his diary. And he learned never to believe, fully or hesitatingly, what adults told him.

"When I found a very detailed pictorial representation of the martyrdom of Christians in a Roman arena," Fried writes, "I was first of all lobbied off with the words: 'But those are just very old stories. It's not perhaps even true.'"

When he insisted, "and in

tears pointed at the individual youths, women and children" being persecuted, his grandmother said, "But after all, they couldn't be alive anymore anyway."

Five stark and quiet paragraphs later, that 79-year-old grandmother has been gassed in a concentration camp. Comfort came hard, but it did come. "In the last 20 years the pain on thinking of my grandmother has become less," Fried writes. "Almost no one lives to be a hundred, so she couldn't be alive anymore anyway."

This is not simple, vengeful irony, the kind that comes from the narrator's fixed superiority; it is the kind that comes from

knowing that humans are both vulnerable and culpable, and that life, in the form of other humans, takes brutal, merciless advantage of that fact.

Fried knew his Kafka and he knew his Borges, too. One feels their presence here, but not oppressively; they are treated more as counselors than masters.

It is as if Fried is issuing an elegant, intelligent challenge, claiming the victor's resources of privilege and playfulness to write this book, which could easily be called "Memoirs of an Exiled Semite."

Margo Jefferson is on the staff of The New York Times.

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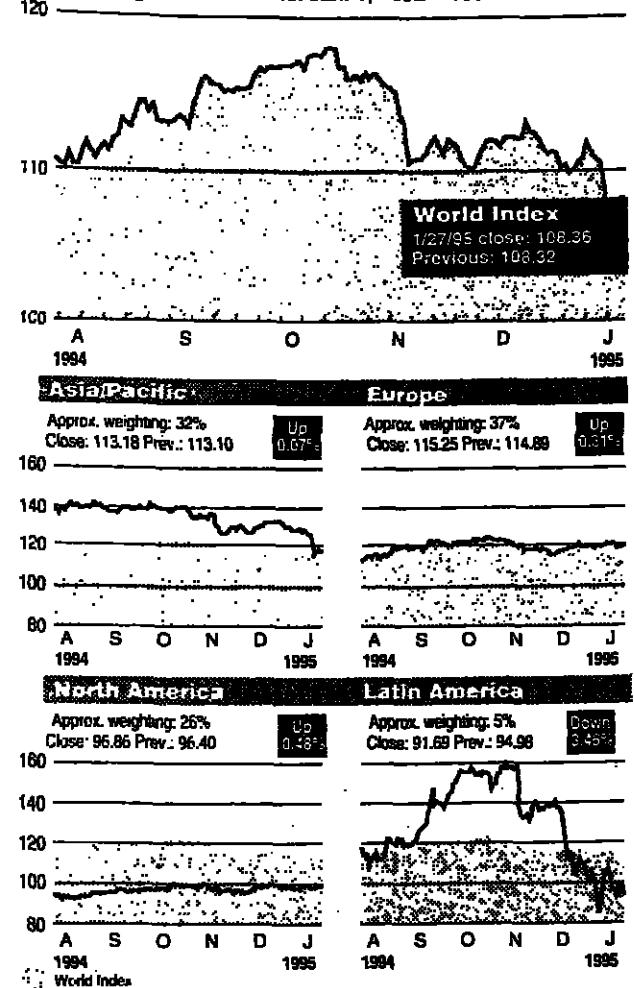
BUSINESS

International Herald Tribune, Saturday-Sunday, January 28-29, 1995

Page 9

THE TRIB INDEX: 108.36

International Herald Tribune World Stock Index, composed of 280 internationally investable stocks from 25 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and other major financial centers. The index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top stocks are tracked.

Industrial Sectors	Jan. 27	Dec. 29	% Change
Energy	114.70	114.78	-0.07
Utilities	115.83	116.28	-0.40
Finance	104.23	104.11	+0.12
Services	107.95	107.81	+0.13
Capital Goods	109.69	109.81	-0.11
Raw Materials	133.29	134.24	-0.71
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New Cuts At USAir To Follow '94 Loss

Compiled by Our Staff From Dispatches

ARLINGTON, Virginia — USAir Group Inc., fighting high labor costs and the consequences of two fatal accidents last year, said Friday that it lost \$135.2 million in the fourth quarter, to bring 1994 losses to \$684.9 million.

Chairman Seth E. Schofield announced immediate steps to cut operating expenses, including a shrinking of the holding company's airline operations. The fourth-quarter loss was 123 percent more than the \$59.4 million it lost in the like period in 1993 and did not include a one-time charge of \$186.8 million. Revenue fell 6.7 percent, to \$1.68 billion.

The 1994 loss, which was 74 percent larger than the 1993 loss, did not include one-time charges of \$458.8 million. Revenue was \$7 billion, down 1.4 percent from 1993.

USAir's stock rose 25 cents, to \$5.50. The cuts "will result in a USAir with fewer planes and fewer people," Mr. Schofield said. "As the first of these actions, the company intends to defer eight Boeing 757 aircraft that were scheduled for 1996 delivery."

USAir said fourth-quarter results were cut \$110 million by a Sept. 8 crash near Pittsburgh that killed all 132 people aboard and a July 2 crash in North Carolina that killed 37. USAir has lost \$2.5 billion since 1988, its last profitable year. It said it had to slash annual labor costs by \$500 million to stay afloat.

In announcing the figures Friday, Mr. Schofield said management had cut almost \$400 million in nonlabor costs but made no progress in cutting labor costs.

Russia's Credibility Gap War and Inflation Imperil Western Loans

By Steven Erlanger

New York Times Service

MOSCOW — With double-digit monthly inflation, the Chechnya war and some bizarre personnel appointments, Russia has dug itself a pretty deep hole with Western governments and the International Monetary Fund, which is now debating a \$6 billion loan Moscow is counting on.

The length and brutality of the Chechnya war, which is not over, have damaged Russia's reputation in the West and undermined political and economic stability here.

The 1995 budget, which has just passed its second reading in Parliament, is based on outdated assumptions and has a big deficit that Moscow is counting on Western financing to fill.

Given the stakes, senior Western diplomats and economists expect President Boris N. Yeltsin to move to assuage Western governments disturbed by the Chechnya war.

They expect that Mr. Yeltsin will now make stronger efforts on market reform and fiscal discipline, as well as making significant diplomatic gestures, such as signing on to NATO's Partnership for Peace, which Moscow refused to do late last year.

"The Russians realize that to keep the budget afloat, the West and the IMF are important to them," said one Western official, who then predicted, "So Moscow will make gestures on market reform and on NATO, too."

A fixed rate for the ruble, which has fallen 11.6 percent this year, may be one of those gestures, Agence France-Presse reported from Davos, Switzerland, on Friday.

[Anatoly Chubais, first deputy prime minister, said at the annual meeting of the World Economic Forum that some kind of fixed rate for the ruble was under consideration. "It is the first time I have mentioned this, and I don't want to say more," he said, adding that

See RUBLE, Page 11

Dole Says Mexico Support Fading

Compiled by Our Staff From Dispatches

WASHINGTON — Senate Majority Leader Bob Dole said Friday that support for President Bill Clinton's \$40 billion rescue package for Mexico was eroding in the Senate. "Some really question whether a \$40 billion loan guarantee would be enough," he said, adding that it was "not our purpose to bail out people who made bad investments."

The Kansas Republican said that he would not support any package that benefited only "politicians from Mexico and Wall Street."

In an effort to shore up support, Mexican President Ernesto Zedillo Ponce de Leon's chief of staff met with several senators in Mr. Dole's office Friday.

Earlier in the day, House Speaker Newt Gingrich also expressed doubts that Congress would approve the package.

The Georgia Republican said the loan guarantee plan, which is designed to keep the financial crisis in Mexico from spreading to other emerging-market countries, was in trouble because President Bill Clinton had failed to round up Democratic support for it.

Michael McCurry, the White House spokesman, said Mr. Clinton was confident of its support.

(Reuters, Bloomberg)

Metallgesellschaft Report Faults Schimmelbusch

By Brandon Mitchener

International Herald Tribune

FRANKFURT — A long-awaited auditors report on the near-bankruptcy of Metallgesellschaft AG failed to assign individual responsibility for the trading-related losses that threatened it, but said the company's former management, was ultimately responsible.

The report is a knockout for a man who has been under fire for months, said Lutz Drehsbach, spokesman for Metallgesellschaft, of the report's conclusions concerning the former chairman, Heinz Schimmelbusch, whom the company plans to sue for damages.

Indeed, the report, dated Jan. 20 and circulated Friday, vindicated the company's supervisory board chairman, Ronald Schmitz, and heaped blame on Mr. Schimmelbusch and other former board officials for neglecting their duty to alert Mr. Schmitz of financial risks involving oil futures contracts trading at the company's U.S. subsidiary, MG Corp.

It said Mr. Schimmelbusch and some fellow board members were aware of a danger as early as June 1993, almost six months before the supervisory board said it was informed of a problem.

"The management's reports to the supervisory board," the report concluded, "were neither complete nor true and therefore failed to meet the requirements of a conscientious and faithful accountability."

Of the oil trading activities of MG Corp., it said, "the supervisory board was not informed quickly or completely enough when the activities were initiated or even when they represented a danger to the company."

A lawyer for Mr. Schimmelbusch in New York, Gerard Harper, was not available for comment.

But the report stopped short of finding Mr. Schimmelbusch — or any of his colleagues — personally responsible for the losses that resulted from the eventual unwinding of the oil futures contracts in question.

The company has blamed Mr. Schimmelbusch for the losses, but he has argued that his was a "liquidity problem" that would not have resulted in losses if the contracts had not been interrupted — which happened after he was fired.

"We had to forego apportioning individual responsibilities for the actual damages," the auditors Coopers & Lybrand and Wollert-Elmendorff concluded in the report, the full text of which was obtained by AFP-Excel and made available to the International Herald Tribune.

"In our opinion, none of the management board members can be held individually responsible for getting the company involved in the oil trading or hedging strategies or in expanding its engagement in Castle Energy," the company's U.S. oil refinery partner, it said.

The auditors concluded that only a court of law would have the authority to assign liability for the company's losses based on a calculation of various scenarios. "Auditors are not allowed to make use of this instrument," they said.

Mr. Schimmelbusch, meanwhile, last week filed a defamation suit against the company and Deutsche Bank AG, its biggest shareholder and creditor.

Mr. Schimmelbusch, as well as the former oil trading head of MG Corp. and several academic experts in the United States have alleged that the 2.3 billion Deutsche marks (\$1.4 billion) in losses that necessitated a bailout last year resulted from a panicky liquidation of the subsidiary's considerable oil trading positions.

Brunei Seeks 20% Stake in Tokyo Firm

Reuters

TOKYO — The government of Brunei will buy a 20 percent stake in Century Securities Co., a medium-sized Japanese brokerage and an affiliate of Daiwa Securities Co., Century said Friday.

It will be the first foreign stake that will allow management rights in a Japanese securities house licensed to provide a full range of securities services, an official at the Ministry of Finance said.

Brokers and analysts said other investors from various Asian countries might be interested in similar purchases, but that U.S. and European firms were less likely to want to buy into Japanese brokerages, which have been hit hard by Tokyo's four-year stock slump.

Makoto Kasui, Century's president and a former vice president of Daiwa, said that Brunei "has a national interest in becoming a financial power."

Century will issue 8 million new shares in February, and 6.2 million of those will go to Brunei for a price of about 350 yen a share, making the purchase worth about \$21.7 million. Brunei is to increase its stake to 30 percent by March 1996.

ECONOMIC SCENE

Kobe: Will Anyone Gain?

By Peter Passell

New York Times Service

NEW YORK — The Kobe earthquake in Japan destroyed 10,000 buildings, closed one of the country's major harbors and broke the back of its transportation system.

But look on the bright side. The monumental effort of reconstruction will help power the sluggish Japanese economy from its worst recession in decades.

Sound familiar? You've heard it before and often from practitioners of what is called "the dismal science." But don't take it too seriously because, as any introductory textbook in economics will confirm, this quarter-truth drawn from the ideas of the famed economist John Maynard Keynes begs to be qualified.

And who better to do the qualifying than Paul Samuelson, author of the first economics textbook to bring the ideas of Keynes into the mainstream?

The core notion here, closely linked to what anyone who has taken an economics course might remember as "the paradox of thrift," is simple. If people and factories are underemployed, the repairs after a disaster create income from resources that would otherwise have been idle. "Hurricanes make work for glaziers," Mr. Samuelson allows.

Actually, the consequences may prove even more serendipitous. When a homeowner digs into his savings or insurance money to replace the broken windows, the glazier is paid. And when the glazier spends the money on a new car, the incomes of auto workers go up. And so forth.

This "multiplier effect" adds a little or a lot to the initial jolt of stimulus, depending on

how much leaks out in the form of savings and taxes from each round of spending.

Governments can work the same miracle by putting money into people's pockets. Mr. Keynes facetiously suggested burying £100 notes in abandoned mines, thereby invigorating the moribund British mining industry. Hitler offered a different means to the same end: rapid rearmament, which made the Third Reich an island of prosperity in Depression-bound Europe.

What worked for Hitler also worked for FDR. "The true cost of the battleship Missouri was negative," Mr. Samuelson concludes, since the military buildup did not divert resources that would have been used to add value elsewhere in the economy.

Look closely and you will see this Keynesian version of the free lunch popping up in the oddest places. Trade protectionists are gungho to create jobs and profits for U.S. companies by making it harder for foreigners to sell their goods here. The idea is so powerful that it dominates the rhetoric of free traders, too.

During the debate over the North American Free Trade Agreement, the White House talked endlessly of the jobs that would be generated by stimulating exports, and nary a word on how cheap imports from Mexico would bless American consumers.

Perhaps the trendiest variation on the theme comes from environmentalists. Don't think of the cost of recycling packaging materials or switching to eco-friendly fuels. Vice President Al Gore suggests, marvel at all those terrific high-paying jobs that will be created along the way.

How, then, can those without degrees from

See KEYNES, Page 11

Restoration of the ancient Roman Consular Way to Gaul, Aosta Valley, 1st c.



Preserving mankind's heritage is without doubt a fundamental concern for Ebel. Although better known for its quality watches and its reputation as "Architects of Time," it has taken an active role in heritage restoration since 1986. One example is the Villa Turque, an architectural milestone designed by Le Corbusier in 1916. Ebel's acquisition and restoration preserves this historic building in La Chaux-de-Fonds, Switzerland. Ebel is currently involved in the restoration of 2,000-year-old Roman roads — the first

transalpine trade routes — in the Aosta valley under the auspices of Alp Action. Launched by Prince Sadruddin Aga Khan, this private partnership fund is committed to preserving the natural and cultural heritage of the Alps. As the first transalpine trade routes, these consular roads were the precursors of the great communications network created in Europe over the centuries. Ebel seeks to build its future by making a real contribution to projects that preserve natural or cultural environment.

"One cannot build the future without being aware of the past."

Pierre-Alain Baur, President of Ebel Watches S.A.

CURRENCY & INTEREST RATES

Jan. 27									
Eurocurrency Deposits									
1 month	3 months	6 months	1 year	18 month	24 month	36 month	48 month	60 month	72 month
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Key Money Rates									
United States	Close	Prev.	Change	Britain	Close	Prev.	Change	France	Close
Discount rate	5 1/8	5 1/8	0	Bank base rate	5 1/8	5 1/8	0	1-month	5 1/8
Prime rate	5 3/4	5 3/4	0	1-month	5 1/8	5 1/8	0	3-month	5 1/8
Federal funds	5 1/4	5 1/4	0	3-month	5 1/8	5 1/8	0	6-month	5 1/8
3-month CD	5 1/4	5 1/4	0	6-month	5 1/8	5 1/8	0	9-month	5 1/8
6-month CD	5 1/4	5 1/4	0	9-month	5 1/8	5 1/8	0	12-month	5 1/8
9-month CD	5 1/4	5 1/4	0	12-month	5 1/8	5 1/8	0	18-month	5 1/8
12-month CD	5 1/4	5 1/4	0	18-month	5 1/8	5 1/8	0	24-month	5 1/8
18-month CD	5 1/4	5 1/4	0	24-month	5 1/8	5 1/8	0	36-month	5 1/8
24-month CD	5 1/4	5 1/4	0	36-month	5 1/8	5 1/8	0	48-month	5 1/8
36-month CD	5 1/4	5 1/4	0	48-month	5 1/8	5 1/8	0	60-month	5 1/8
48-month CD	5 1/4	5 1/4	0	60-month	5 1/8	5 1/8	0	72-month	5 1/8
60-month CD	5 1/4	5 1/4	0	72-month	5 1/8	5 1/8	0		
72-month CD	5 1/4	5 1/4	0						

MARKET DIARY

Bond Surge Ahead But Stocks Stall

Bloomberg Business News
NEW YORK — Stocks closed mixed Friday as optimism over a report showing inflation at a 30-year low boosted bonds but gave way to concern that corporate earnings growth would suffer as the economy weakens.

The Dow Jones industrial average closed down 12.45 points at 3,857.99 after initially rising

as much as 16.15 points. But advancing issues beat declines by a margin of 4-to-3 on the Big Board.

Trading was brisk with 339.48 million shares trading hands, up from 311.91 million on Thursday and a three-month daily average of 308 million.

Banks, brokerages and insurance shares soared as the inflation bond-market rally. But cyclical stocks like metal, paper and chemical producers, which rise and fall along with the economy, plummeted. Gold shares also fell as demand for an inflation hedge subsided.

To our readers in France
It's never been easier to subscribe and save with our new toll free service.
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FRANC: French Currency Falls

Continued from Page 9
months, before it recovered slightly.

L'Evenement du Jeudi said that Alain Carignon, a former French communications minister who is in prison awaiting

trial on corruption charges, had been running a slush fund to finance election campaigns for the RPR.

It quoted an unnamed member of the Grenoble city council as saying that the fund would have been used to finance parliamentary and presidential election campaigns. Mr. Carignon is also the mayor of Grenoble.

"There's a lot of nervousness about corruption in France, and this report seems to have touched a nerve, because it suggests that the main candidates of the center-right coalition may be tainted," said Esther Baroudy, a market economist at Credit Lyonnais.

"The theme of the day is the economy is slowing down," said Todd Clark, managing director in equity trading at Mabon Securities Corp. "That's the way people are betting right now."

The concerns blunted the initial rally, which had been spurred by surprisingly strong fourth-quarter profits for Walt Disney, which surged 3 to 50%, and McDonald's, which climbed 1 1/2 to 32 1/4.

The early rally was also fueled after the Commerce Department said economic growth in 1994 was the strongest in a decade while inflation was the lowest in three decades.

That sent the yield on the 30-year Treasury bond tumbling 11 basis points, to 7.73 percent, which in turn boosted financial shares. Merrill Lynch rose 1 1/2 to 36 1/2 and Morgan Stanley climbed 2 1/4 to 60 1/4.

Many economists still expect the Federal Reserve's policy panel to raise interest rates when it meets Tuesday and Wednesday, but the government report supported speculation that the increase might be the last in a while.

Philip Morris rose 1 1/2 to 60 1/2, Procter & Gamble climbed 1 1/2 to 64 1/2, and Coca-Cola advanced 1/2 to 52 1/2. Each has reported stronger fourth-quarter earnings recently.

Some currency dealers said reaction to the article had been exaggerated. (A.P. Reuters)

Dollar Has a Mixed Day
The dollar fell against some currencies but gained against others, with dealers noting a lack of direction in the market. Reuters reported from New York.

"There are no real flows, no trend," said Martin Kay, director of foreign exchange sales at Lehman Brothers in London.

The dollar traded at 1.5150 Deutsche marks, slightly up from 1.5143 DM at Thursday's close, and at 99.38 yen, down from 99.43 yen. The dollar also traded at 1.2736 Swiss francs, down from 1.2761 francs, and at 5.2595 French francs, up from 5.2410 francs.

The British pound was trading at \$1.5895, down from \$1.5923.

Gold fell to \$378.50 an ounce in Zurich, down \$2.75, and to \$378.40 in London, down \$2.95. In New York, gold traded at \$376.80 an ounce, down \$4.90.

The Dow

Daily closings of the Dow Jones industrial average

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Dow Jones Averages

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THE
REPORT

FIRST COLUMN

A Stock Tip
(Hint: It Has
Big Ears)

THIS week, a departure from this column's normal practice. In addition to general market comment, readers are offered a specific stock tip — subject, of course, to the usual words of caution. Remember that investing in any single stock is a highly risky business and that the possibility of serious capital losses is very real, etc.

The general discourse naturally concerns the flight of international capital from the speculative to the safe, from the emerging market to the developed home base, from the small to the big.

There are three points to be made here. First, it is true to say that the withdrawal of international investors' capital (much of it from America) has created havoc in emerging markets. The rule seems to be that the heavier the U.S. investment (pre-Tequila Crash, that is) the harder the fall.

Second, it is fair to draw an analogy between today's emerging markets and yesterday's America. The miraculous economic growth sustained through the 19th and 20th centuries by the United States, complete with vast foreign speculative interest in financing infrastructure projects, is similar to what is happening in emerging markets.

Third, it is not fair to say that foreign investors (who often got badly burned in the United States) will be hurt in the long term in emerging markets. This time around we have a vast, global middle class that invests via mutual funds and that is maybe just a little more sophisticated. All is not lost.

And much the same could be said for Euro Disney. The troubled theme park operator has been in crisis for so long that it's now kill or cure time. We think the corner has been turned, that profit is around the corner. The stock is a buy at this week's level of 12 francs (compared with 67 francs at its opening in April 1992). Unless, that is, the parent company or the banks pull the plug. Our call is that it won't.

M.B.

A Passion Reignited for 'Nifty 50,' but Watch Those P-Es

By Judith Rehak

THE word is out on Wall Street that "value" stocks, the bargain-priced winners of the last three years are fading, and big, fast-growing companies are the place to be for investors in the next year or two.

Suddenly, companies like Coca-Cola, Merck, the drug maker, and Philip Morris, shunned by most investors a year ago, are looking safe, tempting and profitable. Even in last year's rocky stock market, household-name companies began gaining momentum, a trend that is now being reinforced by investors fleeing emerging markets. "A lot of dollars have been chased out of Latin America and Asia," says Robert Stovall, president of Stovall/Twenty-First Advisors, a brokerage investment adviser. "There's a flight to quality, and domestic quality."

Could the rush of interest in these big growth stocks cause a replay of the "Nifty Fifty" era of 20 years ago? The phenomenon (many would say fad) developed in the early 1970s, when stock market gurus drew up a roster of 50 of the biggest growth stocks ranging from Eastman Kodak to Avon Cosmetics, proclaiming them "fail-safe."

"They were known as 'one-decision' stocks," recalls Stephen Quickel, editor of the U.S. Investment Report, a New York based newsletter. "Companies like Xerox and Polaroid could do no wrong. You just bought them and held them, and they were supposed to take care of themselves."

Investors, primarily institutions, responded by piling into the stocks, driving their price-earnings ratios to stratospheric levels. Polaroid and Sony sported P-Es in the 90s, compared with the average company P-E of 15 today. (A price-earnings ratio is the price of a stock divided by its per-share earnings.) "The gurus assured everyone that they would never go down," said Mr. Quickel. "It was like Tulip Mania."

A speculative frenzy in Dutch tulip bulbs in the 17th century led to financial catastrophe for many European families and investors.

The party ended when the bear market of 1973 and 1974 hit, and reality set in. Prices of the high-flying Nifty Fifty collapsed, and stocks like Polaroid plunged from more than 100 to the low double-digits.

But an exact repeat of these events is unlikely, say these observers. Mr. Stovall

Big Company Stocks

Page 15
How growth funds use them
Small companies — swings and roundabouts?
Big stock indexes

Page 17
European plays

points out that they were driven by institutions who were buying stocks in huge amounts for the first time after years of investing primarily in bonds, and that it was still the era of fixed commissions, which made it costly to trade large blocks of stocks frequently. And while high P-E stocks were in vogue for a period in 1991, it was nothing on the scale of the 1970s.

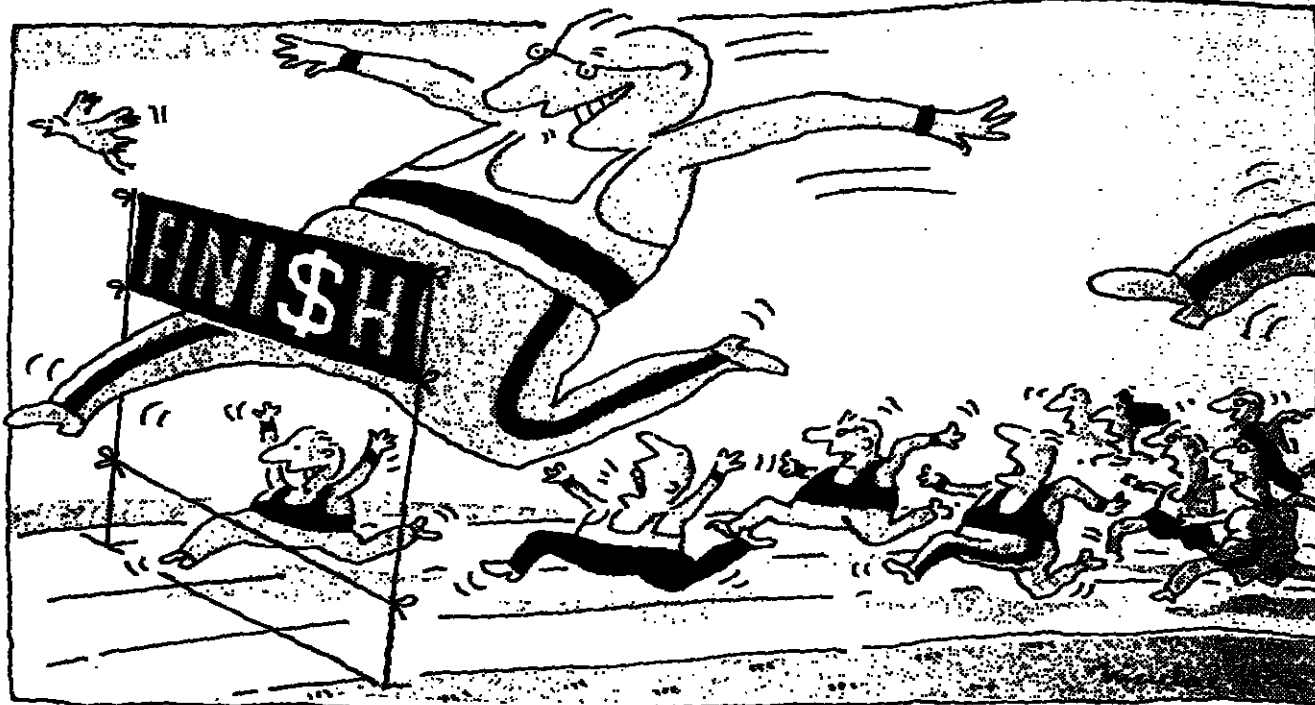
A more likely scenario today is that a new breed of "Nifty Fifty" companies is developing, one that has strong growth prospects but less lofty P-E ratios.

Roger Engemann, who manages the \$105 million Pasadena Nifty Fifty fund, owns some 50 big companies whose earnings are growing at 12 to 15 percent a year, roughly double that of the average company, but his overall portfolio has a fairly tame P-E of around 20. His holdings include some of the original members of the Nifty Fifty club, such as Merck and General Electric, plus such newer arrivals as Wal-Mart, the retailer, and Disney, the entertainment company. "I own the 'warm and fuzzies' that will come through for you, earnings-wise, whether there's a recession or a boom," he says.

Other fast-growing favorites that were too small, or weren't around in the 1970s, hail from the technology arena, such as Intel, the semiconductor maker and Microsoft, the world's largest software publisher.

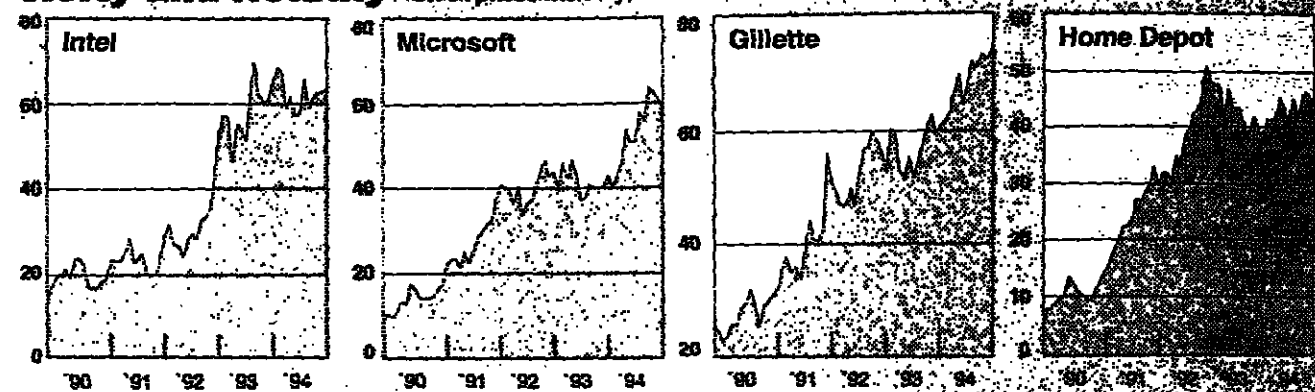
"Microsoft only has a P-E of 22," said Mr. Stovall. "That's not scary." And Mr. Quickel suggests that Amgen, the drug maker, and United Healthcare are reminiscent of the best of the original group. "They have been very strong over a period of time, they attract a lot of investors, and people believe in them and continue to own them," he said.

And there are the exceptions: Mr. Stovall admitted he can't let go of his shares in Gillette, even though it has a P-E of 32. "It's No. 1 in its business and a great company," he said. "I'd hate to sell it." Mr. Engemann owns Home Depot, which trades at a hefty 37 times current earnings.



Hefty and Healthy

Stock prices monthly, \$



Source: Bloomberg

The ratio is justified, he said, because the company's earnings are growing at 30 percent annually.

Still, danger lurks for unwary investors who chase companies like a Home Depot simply because their profits keep rising, causing share prices to plummet.

"It's justified now, but there are a lot of institutional investor momentum players

in stocks like that and all they need is one down quarter and they'll collapse."

Momentum players are known for piling into companies where earnings are rising sharply, and bailing out quickly at the slightest suggestion of a downturn, causing share prices to plummet.

What does seem certain, however, is that while the term Nifty Fifty still retains

a certain mystique, few investors today would mindlessly buy companies as they did in the 1970s. And above all, emphasizes Mr. Engemann, there is no longer anything like a permanent list. "The original theory was that you could buy a company and hold it forever," he points out. "The truth is there's no such company. It doesn't exist."

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Spain Ptas.	48,000	41	14,500
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International Earnings Estimates

Companies ranked by market capitalization, top and bottom of sample shown. Forecasts are for next two reporting periods (Y1, Y2).

Top Ten, Europe	Local		£ Mkt Cap	Historic			Y1			Y2			
	Mkt Cap	Price		Profit	EPS	Div.	Profit	EPS	Div.	Profit	EPS	Div.	
Royal Dutch Petrol	100516	187.4	36780	5,367.00	10	11.47			11.9	8.8		14.11	9.1
Roche	60651	10950	29451	2,478.00	287.3	48	2796	329	53	3220	381.75	80	16
Allianz AG Holding	56894	2434	23301	975	41	15	999	46	15	1146.5	58	16	16
Nestle	47027	1209	22835	2,887.00	71.6	25	3,217.50	81.85	27	3,671.00	91.6	28.7	28.7
Daimler Benz	38457	751	15730	615.00	12.92	7.9	1,045.00	20	10	1,862.50	36.2	12	12
Siemens	36016	654	14750	1649	34.5	13	2162	39	13	2246	41.6	14	14
Deutsche Bank	33725	711	13812	2,318.00	48.1	16.5	2,232.80	45.5	16.5	2,532.75	53	17.5	17.5
Union Bank Switz.	26709	1037	12969	2,268.00	106.5	32	1,900.00	75.9	32	2,322.00	92.4	34	34
Sandoz	26470	676	12853	1,706.00	45	11.6	1,745.50	46.1	13	2,006.00	53.4	14.6	14.6
Generali	31219747	38950	12299		838	360	700	910.65	360	800.00	1017	380	
Bottom Ten, Europe													
Vilmorin et Cie	757	369.9	89	47	23	12.7	53	24.9	14.2	59	27.4	15.933	
Zantier	757	145.9	89	64	11.84	1.998	50.5	9.78	2.32	65	12.18	2.7	
Guerbet SA	756	295	89	51.29	21	6	54	20.4	5.71	58.80	22.4	6.19	
Banque Paribas	757	329	89	2735	64.16	12.5	1500	37.5	12.5	1600	39.9	12.5	
Saffia	226731	4750	89	-33.6	-967.86	0	8.00	130.5	0	20.00	373	150	
Ferruzzi Finanziaria	226300	12.99	89		-713	0	-54.00	-84.85	0	122.00	27	0	
Aguila SA (E)	16709	1040	90	-5.97	-235	0	-1.8	-120.5	0	1.35	21	0	
Kempinski	221	804	90	1.59	-15.89	6							
N.S.C. (N. Schlumb.)	766	1,020.00	90	61.08	81.28	23		70		75			
Zignago S. Margherit	230860	9700	90		328	120	14.00	968	210	17.80	1138	300	
Top Ten, Pacific Basin													
Singapore Telecom Ltd	43308	284	19184	1,201.50	7.9	3	1,342.10	8.8	3	1,558.00	10.2	3	
Broken Hill Pty	31083	1816	12580	1,283.80	95.1	44	1548.6	110.55	49	1879	128.3	58	
Hong Kong Telecom	154466	13.85	12812	7557.7	0.67	0.51	8699.7	0.78	0.586	10062	0.9	0.671	
HSBC Holdings	136973	80.25	11361	20,824.00	8.2	2.68	24,226.50	9.49	3.2	28,343.00	11.06	3.68	
Cathay Life Insurance	417959	191	10198	6,089.00	5.18	0.96	11,575.00	5.23	1.5	12,990.00	5.91	1.2	
Telekom Malaysia Bhd	32222	1670	8372	1208.8	61	15	1413.5	71.1	16	1658	83.4	16.5	
Hutchison Whampoa Ltd	98575	27.25	8176	6,304.00	1.79	0.68	8,089.00	2.24	0.85	9,183.00	2.54	0.965	
Hang Seng Bank Ltd	97057	50.25	8050	6,702.20	3.47	1.85	7,378.00	3.82	1.95	8,454.00	4.38	2.2	
Sun Hung Kai Properties	92981	40	7712	8,819.00	3.91	1.92	10,788.50	4.65	2.16	12,734.00	5.45	2.485	
Tenaga Nasional Bhd	29636	975	7468	1723.5	57	12	1788.1	58.5	12	1,751.90	57.73	12	
Bottom Ten, Pacific Basin													
Yu Fong Spinning	2075	32.3	50	-49.23	-0.77	0	55	0.86	0	32	0.5	0	
BES Eng	2066	46.5	50	992	3	0	-1703	-5.16	1.25	1,155.00	3.5	1.5	
Singapore Computer Syst.	114	114	50	5.33	5.3	2.5	6.00	6	2.5	7.85	7.55	2.5	
Owens Group	123	217	50	7.3	12.9	12	9	15.85	7.9	10.45	18.25	9.5	
Tasman Agriculture	123	110	50	5.60	7.4	3.2	6.00	6.15	3.1	7.85	7	3.735	
Mun Loong Bhd	201.00	830	50	1.58	4.9	5	1.00	3.1	5	1.2	3.8	5	
Leading Spirit (Hld)	613	1.46	50	21									
Allgas Energy	103	950	50										
Siam Syntec Co Ltd	2,031.00	65	51	86.30	2.8	1.2	112.15	3.6	1.6	152	4.9	2.3	
Teletach (Thailand) Ltd	2017	9	51	-64.00	-1.1	0							
Top Ten, Japan													
Nippon Telegraph & Tel	13478400	864000	86705	139,895.00	3198.69	5000	140,000	4807.69		375,000	11859		
Toyota Motor Corp	7748853	2080	48847	236,531.00	33.8	19	220000	38.3		380000	55.05		
Mitsubishi Bank, Ltd	8942413	2410	44859	79778	16.5	8.5	75000	13.9		75000	14.6		
Industrial Bank of Japan	6701686	2850	43111	47,486.00	9.31	8.5	77,000	17.9		73,500	17.9		
Fuji Bank, Ltd (The)	6315876	2180	40629	68,343.00	11.37	8.5	57,500	10.38		80,000	13.15		
Dai-ichi Kangyo Bank Ltd	5960543	1910	38343	64435	3.73	8.5	70000	6.4		71600	9.7		
Sumitomo Bank, Ltd	5905196	1880	37987	96,789.00	11.33	8.5	82,500	9.6		90,000	14.4		
Sanwa Bank Ltd	5772531	1990	37134	97,053.00	15.75	8.5	87,800	15.5		103,000	19.1		
Sakura Bank, Ltd (The)	4475580	1350	26780	65,617.00	6.89	8.5	89,000	13.5		85,000	14.3		
Nomura Securities Co	4062360	2070	26132	67822	21.7	10	72500	17.3		130,000	35.3		
Bottom Ten, Japan													
Joshin Denki Co Ltd	76915	1380	494	278	1.36	16	2050	15.99		2000	16.1		
Mitsubishi Steel Manuf	76896	534	494	-5509	-33.18	4	-14500	-63.9		-11500	-79.9		
Clarion Co Ltd	77034	495	495	-2264	-24.65	0	1800	5.1		2,900.00	-8.65		
OSG Corp	77105	735	496	406	0.64	6	750	3.35		1500	8.1		
Tokai Rika Co Ltd	77399	1060	497	4122	15.85	0							
Nippon Shinyaku Co Ltd	77276	1320	497	6,343.00	41.51	7.5	6,250.00	44.4		6,200.00	51.4		
Nippon Chemi-Con Corp	77431	625	498	-876	-7.2	0	200	0.8		500	2.4		
JDC Corp	77717	440	499	7021	17.05	8.5	5850	12.9		4050	9.9		
Nittetsu Mining Co Ltd	77843	932.00	500	4,085.00	24.05	6	2,150.00	10.19		3,300.00	19.8		
Armada Sonolke Co Ltd	77967	873	501	1698	11.63	12	1,525.00	12.3		1,725.00	10.6		

THE MONEY REPORT

A Word for the Big Guys

By Digby Lerner

INVESTORS building a portfolio aimed at achieving capital growth inevitably have to decide how much weighting to give stocks from small, medium and large corporations.

As a rule of thumb, smaller corporations tend to be more volatile, offering the chance of impressive short-term gains at the risk of making equally big losses. With large-cap stocks, not surprisingly, the opposite is thought to be true.

Some analysts argue that the performance of shares in big, well-established corporations is easier to predict and less likely to soar or plummet as quickly as the share price of corporations with a smaller capital base.

So, with the disappointing performance of world equity markets through 1994, should investors looking for growth shift their portfolios toward large-cap stocks?

The answer from some analysts is a clear yes. Roger Yates, chief investment officer with GT Management, a London fund manager, identifies several areas where he believes large-cap stocks could do well.

"Around Europe we think financial stocks should pick up. They were beaten down throughout 1994. That, plus higher interest rates, will probably make 1995 a much better year, at least for banks."

He also says large-cap cyclical stocks will be a strong European play this year. "There has been a lot of talk about how the earnings of big-cap cyclical stock could peak in 1997. In fact we disagree. We've been impressed with the way central banks have made a preemptive

strike against inflation, so we think that will push the earnings peak out further."

But the stocks showing the best value, Mr. Yates said, will be those large-cap corporations that are busily rationalizing their activities and cutting costs.

"I think big companies worldwide that are adopting best industry practices are the ones that will pass a chunk of those benefits to shareholders, like Volkswagen in Germany, for example."

At least part of his preference for bigger stocks, however, is based on his view that smaller companies have had their day, at least for now.

"We've had a lot of good performance with small-caps, so we wouldn't expect that to continue. Although there are still specific opportunities among smaller companies we wouldn't say that as a sector they currently have much to offer."

The choice of large-cap sectors varies between markets. Some analysts opt for stocks in North European areas such as Scandinavia. Others feel the United States offers the best opportunities.

Chris Burvill, a fund manager with Guinness Flight in London, says that large-cap stocks in the United Kingdom have failed to perform as he would have expected given the recently difficult market.

The FTSE 100 index, which tracks Britain's 100 biggest corporations, outperformed the more diverse All-Share index by three-fourths of a percentage point in 1994. While the All-Share grew by 9.55 percent the FTSE 100 managed 10.32 percent.

There are also occasions when large-cap companies are more sensitive to stock market changes than supposedly more

volatile small-cap stocks. This too has happened recently in the U.K. market.

Some analysts say that if the market drops over the short term, fund managers frequently off-load large-cap stocks first. If the decline continues over a longer period, they may move back into big-cap stocks because these are generally more secure.

This, Mr. Burvill said, has been the case with the British market for the last two years. "One argument in favor of a turn-around in big-cap stocks is that they are currently offering good value after having such a rough ride."

He added, though, that it may be hard to predict when they might pick up. "In the U.K., market investors seem to be happier than they used to be about holding on to small-cap stock. Even when the market dips there is a tendency to sell large-cap in order to buy smaller companies."

Michael Ashbridge, head of pooled investment with Fleming Asset Management Ltd., a London-based fund manager, is more optimistic about large cap-stocks — especially in Britain.

He explains that the reason the FTSE 100 performs differently than the broader-based All-Share index is because of the higher proportion of consumer-oriented shares in large-cap corporations than in smaller ones.

"Among the biggest 100 U.K. companies, there's an industry bias of around 20 percent in favor of consumer stocks. That's double the amount you find in the larger All-Share."

Among a wider mixture of stocks, on the other hand, the bias is more in favor of manufacturing stocks. When things look uncertain, Mr. Ashbridge

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Over one year to Jan. 16, 1995	
Manakin Hedge	182.55
Alliance International	127.74
Globalinvest Value	127.69
Universal Stock Rebound Open	126.42
21 Century Select Green Stock	124.61
Rainbow Resources/Energy	121.84
Berry Starquest	120.30
Rainbow Earthly Environment	119.57
Regent OF Global Resources	119.58
DWS-Rohstofffonds	119.58
Over three years to Jan. 16, 1995	
Manakin Hedge	471.88
Mercury Gold & General	317.89
Murray Enterprise	254.25
Abnvest Atlas Gold	237.66
British Empire Secs Wrs	235.40
Sogelux Fd O Commodity	230.42
TSB Natural Resources	228.78
Pantheon Intl Participation	218.14
Regent Undervalued Assets	210.08
For & Col Enterprise	203.90
Over three years to Jan. 16, 1995	
Manakin Hedge	790.56
Murray Enterprise	584.35
Mercury Gold & General	518.48
Orbis Leveraged Equity	354.70
Avail International Hedge	254.51
Pantheon Intl Participation	240.66
Alliance International	233.67
Franklin Health Environment	232.96
Profit Technology	231.86
For & Col Enterprise	231.86
Over ten years to Jan. 16, 1995	
Capital Gearing	1314.59
Manakin Hedge	1271.17
Archimedes Inc. (1988)	828.24
Murray Smaller Markets	828.05
Banking	819.22
HTF Global Technology	804.39
M&G Dual - Cap (1994)	788.47
St James Pl. International	715.12
GAM Sterling & International	705.55
Foreign & Colonial	702.47

Source: Micropal

said, it is the FTSE 100 that should benefit most.

He says too, that some of the best growth opportunities that large-cap stocks are likely to produce this year will come from special dividends, especially in sectors where mergers and acquisitions activity is expected to pick up.

"Pharmaceuticals is one area" where there may be some streamlining, he said. "The situation that has been developing

around the world during the last few years is that more drugs are being sold but governments are putting the squeeze on prices."

Supermarkets are another area where Mr. Ashbridge believes large-cap stocks are set to rally, at least in Britain. He said that big shops had a good run in the 1980s but have been hit badly by falling inflation and the spread of discount stores.

Sanguine on Small Companies

By Rupert Bruce

THE flight to quality in world markets has rudely interrupted a global rally in the prices of smaller company shares and posed the question: Will smaller companies underperform the large household names for some time to come? The flight from smaller companies into large, liquid, and relatively safe shares in Japan every stock market from Tokyo to the United States might suggest this is the case.

Smaller company fund managers blame the increase in American interest rates, the slump in bond prices, and the corresponding fall in share prices for the switch. "People always pull out of these things in bear markets," said Alex Dundas, a director of GT Management in London and manager of the GT Global Smaller Companies Fund. "It is the herd mentality of institutional shareholders."

The result is that the key yardsticks of smaller company share price performance in the United States, Japan, and Europe all showed a small retreat during 1994. Meanwhile, the indexes that measure the progress of the prices of shares in the larger companies mostly showed marginal rises. The only exception was Japan, where the Nikkei 225 stock average fell over the year.

Whether the prices of smaller company shares — and the funds that invest in them — continue their retreat, and continue to be outperformed by large company shares, depends largely on whether the world economy is in a growth phase,

or is about to plunge into another recession.

According to Chrissy Keen, portfolio strategist at Fidelity Investments in London, smaller company shares generally perform relatively strongly when economies are growing, and weakly when they are not.

The volatility of smaller company shares can be seen in recent history. Smaller companies plunged in price during the early 1990s when the world was mired in recession, significantly underperforming the large company shares. Since then, however, they have shown some signs of life. In the United States, the first country to pull out of recession, smaller companies outperformed large ones in 1993.

Statistics confirm that smaller companies generally outperform larger ones during periods of economic growth, but underperform during periods of recession. As for the long term, Ibbotson Associates, an investment consultancy in Chicago, calculates that the U.S. Small-Cap Stock Index has produced a 12.2 percent compound annual return since the beginning of 1926, beating the mainstream S&P 500's 10.2 percent.

The consensus is that higher interest rates are not about to choke off world growth, and, therefore, smaller companies should resume their period of outperformance once the present bout of market nervousness abates.

Michael Cowan, head of global equities at Morgan Stanley Asset Management in London, said: "We think the next year will not be too bad because GDP will be positive everywhere. Of the 50 major economies only three will obviously have negative GDP: Mexico,

Venezuela and Russia. That is probably quite a good environment for the smaller company to perform better in the second half of 1995. I think that in the first half there will be a safe haven philosophy."

Ms. Keen agrees. "In conditions like this people always tend to look to the large stocks," she said. "I think that that will change as the year progresses. The underlying fundamentals suggest that they should have further to go. We are still a long way from the end of the growth cycle."

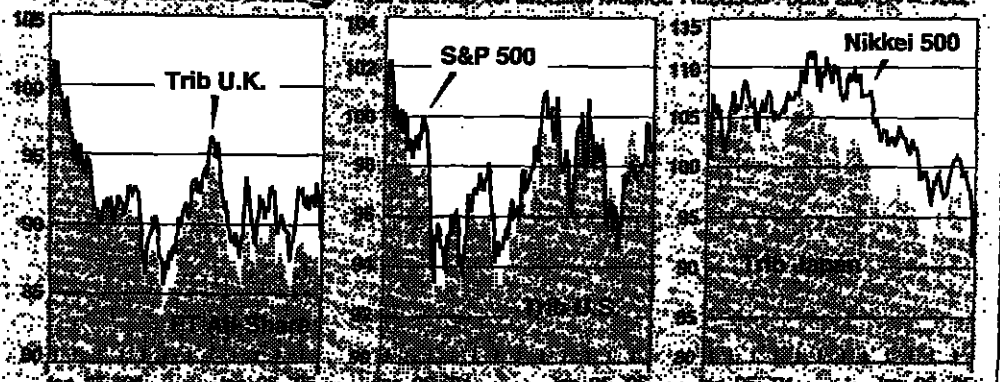
Nonetheless, not everyone is so sanguine. Kevin Wenck, manager of the GT U.S. Smaller Companies Fund at GT Capital Management in San Francisco, likes the look of what he sees in the United States, but is disturbed by the degree of consensus among strategists.

"These people always get these things wrong," he said. He also questions the quality of some of the smaller American companies that have been listed in recent years and thinks they may have been responsible for some of the disappointments in index performance.

If he is not sure about the smaller company universe, however, he clearly believes that well-managed smaller companies funds offer better prospects for investors than plain-vanilla large stock funds.

"At any one time we have 2,500 companies to choose from," he said. "The reality behind having so many, along with the enterprising nature of the U.S. economy is that all you have to do is pick 50 to 100 growth stocks out of the 2,500. You do not have to be a very good manager to get good returns."

Index Watching



Moral: Larger Seems to Be Safer

By Martin Baker

WHEN share markets fall, the position of the investment purists seems impregnable. The smart money, they argue, will have moved out of a market before the reverses come. While not-so-clever investors learn about the risk side of the profit-loss equation that is equity investing, the A-students will have their money safely on deposit or invested in commodities or bonds, they say.

But the world of investing is much more practical than theoretical. The truth is that many investors, such as certain fund managers and pension investment specialists, are effectively forced to keep their money in shares. For this group the wisdom of the past months and weeks has been that big is, if not beautiful, considerably better than average.

Consider the illustrations accompanying this article. The principal message from these charts is that over the last year stock markets have been a poor place to keep your money. But the second conclusion to be drawn is that bigger stocks did better than the overall market averages.

Each chart compares the progress of the leading country components of the International Herald Tribune World Stock Index (the Trib Index) against major local market indexes.

The Trib Index is broken down into large geographic areas — North America, Asia, Europe and Latin America — and countries. The first three of these areas are dominated by stocks from the most heavily capitalized country markets.

These are, respectively, the United States, Japan and Britain. To reflect the importance of each of these markets, the biggest 20 companies by market capitalization have been included in the country index. This compares with the smaller markets where only the biggest 10 companies by capitalization have been included. The result is that these country indexes dominate the Trib index of 280 internationally investable stocks from the world's 25 most important stock markets.

A glance at the charts reveals that the biggest 20 shares traded in Tokyo outperformed the Nikkei 500 index by some 7 percent over the last 12 months. Both indexes were down, however, with the Trib Japan index registering a loss of 6 percent as opposed to a 13 percent fall for the broader-based index.

In Britain, the chart tells a similar tale. The 20 most heavily capitalized shares in London outperformed the FT Actuaries All-Share Index by around 4 percent over the past 12 months. Both lost ground — by 11 and 15 percent respectively.

In America, where the size of the market capitalization of the largest companies far outstrips

that of the biggest London-quoted corporations, there was little to choose between the Trib U.S. index and the S&P 500 share measure. Both are worse by almost exactly 3 percent over the past year.

A comparison between the Trib North America index and an even broader-based index, however, is instructive. During 1994, the Trib North America index (comprising the U.S. and Canadian benchmarks) was up 0.07 percent, while the New York Index suffered a reverse of 8.14 percent over the year.

THE Trib Latin America index came close to the 140 level in February last year. Now in the mid '90s, the index has lost almost a third of its value in 12 months.

What to extrapolate from this? The advocate of the big company will say that the market capitalizations were simply too small to offer the refuge that comes with quality when market storms break. The purist will say that when stock markets fall shares are a poor place to keep your money, no matter how large the company whose equities you hold.

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THE MONEY REPORT

'Top Down,' 'Bottom Up,' or Both? Competing Strategies for Europe

By Aline Sullivan

WHEN in Warsaw, track the index. When in Rome, first pick the stock. That's the advice from fund managers, who are increasingly adopting a twin-track approach to European equities.

Until recently, the concept of market proxies—big companies chosen for their ability to mirror the local stock market index—held great appeal to investors in European equities. This so-called "top-down" strategy was used by investors who studied economic trends and then picked the industries and companies likely to benefit most from those trends.

If, for example, the investor expected the German real estate market to show rapid growth, he would buy shares in the country's leading insurer, Allianz, which accounts for almost 10 percent of the total capitalization of the DAX index of German stocks and has extensive property holdings.

But increasing numbers of investors are converting to stock picking—or the "bottom-up" approach. Economic and political convergence in Europe has blurred differences among countries from an investor's perspective, making the management and operations of companies far more significant than the location of its headquarters.

"Our approach of bottom-up, compa-

ny-specific investing is becoming much more common," said David Mannheim, portfolio manager of Massachusetts Financial Services World Equity Fund. "We wouldn't buy a company to buy into a country. Instead we look at the stock first and only then its geographical location."

A similar strategy enabled Fidelity's \$507 million Europe Fund to generate a 15.41 percent return for the year ended Oct. 31, according to Sally Walden, the fund's manager.

"I think the fund has done well because I'm a stock picker," Ms. Walden said. "The fund is a mix of stocks that are held for their own individual reasons. Where the stock happens to be listed is secondary."

She noted, however, some recent disparity among the different markets in Europe. "The strongest performers have tended to be in the Nordic area where the export boom started. Germany and Switzerland have done well while France and the United Kingdom have been weak."

Michael Hughes, global strategist at London stockbrokers BZW, and another proponent of stock picking, agreed that there was some evidence of divergence in the performance of different European markets but attributed it to a preponderance of popular industry sectors in some countries.

"People are interested now in emerging industries rather than emerging markets," Mr. Hughes said.

"They are looking for the knowledge intensive plays like educational supply companies." There is more choice in this sector in Scandinavia than in the many of the so-called "core" countries of Europe, he added.

Some European investors try to play both sides of the street, using a "two-tier" approach, in which they roughly split their stock selections in any one country between the big companies with global exposure and those that are primarily plays on the domestic market.

"We look at both sectors and geographical markets," said John Gerth, senior investment manager at Pictet & Co. in London. "The car, chemical and pharmaceutical sectors are global, for example, but we also look at how individual companies reflect the markets in their countries." At present, he is advising clients to buy shares in Danish banks with substantial bond holdings.

Although the trend among both professional investors appears to be toward individual stock selection, a genuine top-down investment strategy has not been entirely abandoned. Joanna Clapp, head of European research at Hoare Govett in London, observed that while American clients ask for sector investments in Europe, British clients continue to make their decisions on a country-by-country basis.

"It is still true that if you buy into a company that accounts for 4 or 5 percent of the CAC-40 (the index of 40 leading

French stocks) then you have bought into France," said Ms. Clapp. "Of course, if you are worried about the French market, then you should get out of the blue chip stocks."

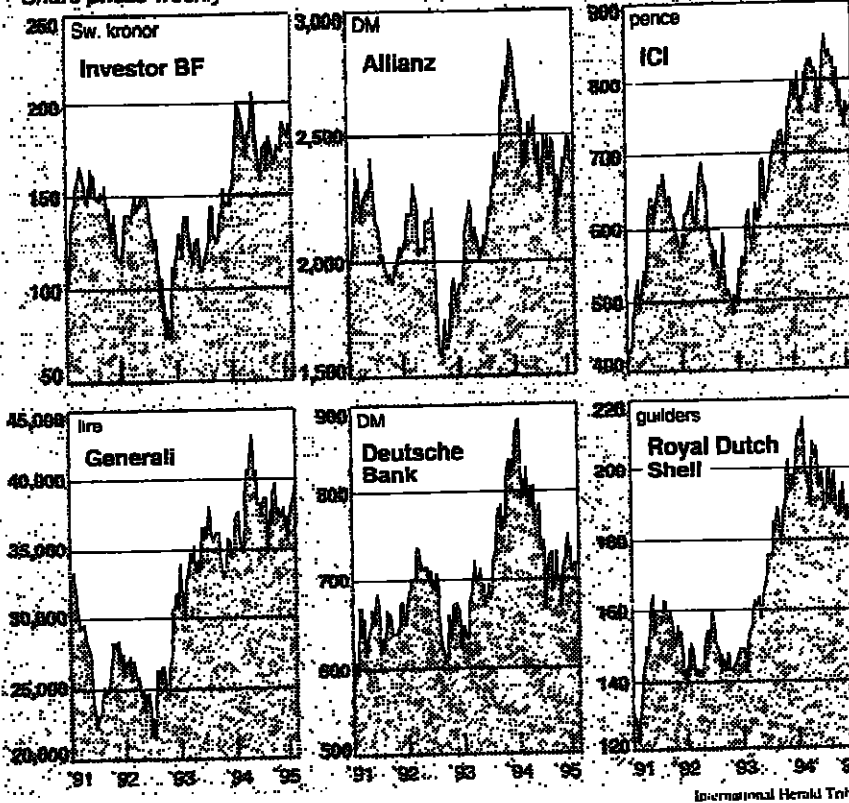
James Cornish, European strategist at NatWest Securities in London, cited the auto maker Fiat and the insurance giant Generali as strong plays on the Italian market, the oil group Elf Aquitaine, the retailer LVMH and the telecommunications equipment giant Alcatel as the French proxies and Deutsche Bank and the car maker Daimler-Benz as the German. These companies each account for a substantial proportion of their domestic stock market's capitalization and have extensive holdings in domestic industries.

Other analysts point to Telefonica in Spain, the British chemicals giant ICI, Investor, the big Swedish financial and manufacturing holding group, Italian insurer Generali and Royal Dutch Shell as possible proxy investments.

But this approach to large European company investing is not without its problems. Angus Runciman, insurance analyst at BZW, warned that European banks and insurers have become less attractive as market proxies. "Many domestic investors still perceive these companies as good plays on their markets," he said. "But if you look closely there have been enormous changes in their businesses. There is a real underwriting risk now that was simply not there before."

European Blue Chips

Share prices weekly



Source: Bloomberg

International Herald Tribune

BRIEFCASE

Hambros Bank Sets Commodities Fund

With many stock markets in full-scale retreat, the option of investing in commodities may seem attractive to some. Others would say now is the time to buy bargain stocks, and that it is too late to commit money to what is largely regarded as an alternative asset class to mainstream equity investing.

All of which makes the timing and positioning of Hambros Bank's new open-ended commodities fund rather smart. The fund, which will be listed on the Dublin stock exchange, will invest with the objective of achieving capital appreciation through holding shares of corporations that trade in commodities and in futures traded on the world's commodity exchange. The bank's goal is to offer a "low-risk approach to investing in a high-return area and to offer a long-term hedge against inflation."

The investment advisers to the fund are the bank itself and the futures trading specialist GNL Ltd. They will use a mixture of stock and futures investments with the aim of outperforming the Goldman Sachs Commodity Index.

For more information on the fund, which is not yet on the market, call Hambros Bank in London at (44 71) 480 5000 or GNL Ltd. in London at (44 71) 337 3500.

Britain Prods U.S. On Opening Market

The British investment trust industry wants a piece of the U.S. action. Or rather, it wants U.S. investors to have a piece of its own action, through investing in its shares.

The Association of Investment Trust Companies, the industry body for these closed-end, exchange-traded funds, is seeking to open talks with the top U.S. watchdog, the Securities and Exchange Commission. The association says that on the SEC's present construction of securities legislation, only 100 U.S. citizens are allowed to invest in any one investment trust. The stated aim of the British association is to have made "demonstrable progress" toward the opening up of the market by summer.

Morgan Grenfell Unit To Open New Fund

Morgan Grenfell Investment Funds Ltd., a British fund manager, is launching a new "U.K. growth unit trust" next week. The new open-ended fund will be domiciled in Britain, and will mirror the investment policy of Morgan Grenfell's existing offshore U.K. growth fund, which gained 24 percent in sterling terms over the 18 months ended Jan. 1, compared with a rise of 14 percent in the broad-based FT Actuarial All-Share Index.

Steven Ball, the firm's chief

economist, contends that the background for the fund is attractive: "The prospects for the U.K. economy are remarkably good. The manufacturing sector is at the forefront of the recovery, having emerged leaner and fitter from the recession." But the firm adds that what it sees as the favorable economic background should not be taken as an invitation "to throw money at just any U.K. stock." Selective stock-picking is recommended.

Minimum investment is £1,000 (\$1,600), and charges run at 5.25 percent initially and 1.5 percent annually.

For more information, call Morgan Grenfell Investment Funds at London (44 71) 826 0011.

Chemical Bank Adds New Debit Service

Chemical Bank has signed up to Maestro, the on-line, point-of-sale debit service. Cards featuring the Maestro logo will be issued by Chemical Bank later this year.

Maestro operates in 24 countries from the United States through Europe, Latin America, and the Asia-Pacific region, with more than 360,000 terminals in its network.

Financial Vocabulary: Effort for Uniformity

One of the financial world's many weak points is its failure to make itself understood. A perfect example of this is the frequently heard call for "transparency" in financial dealings and products. What is meant by transparency in a financial context is that things should be so clear that anyone of normal intelligence ought to be able to understand them. It is a minor irony that the very word used to call for more comprehensibility should be incomprehensible to many small investors.

But whatever you call it, the goal of making financial dealings plain and simple is a noble one. So the British investment management group M&G is to be commended for changing its pension products to a format which it claims is "easy for everyone to understand."

The basic idea is astoundingly simple: Pension accounts have 100 percent of the individual's contributions credited.

"Charges are only taken out subsequently so investors will be able to see at a glance what has gone into their pension contributions," says M&G.

Bravo. Let's hope this is the beginning of the end of some companies and intermediaries selling products with charging structures that investors don't—or can't—really understand.

In next week's Money Report: Derivative and hedge funds—a comprehensive guide to performance, risk-assessment and what's on offer for the small investor.



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SPORTS

Manchester United
Suspends Cantona
For Rest of Season

Compiled by Our Staff From Dispatches
MANCHESTER — Manchester United suspended the French striker Eric Cantona for the rest of the season Friday and France dropped him from the national soccer team following his attack on a fan Wednesday during a game at Crystal Palace in London.

Cantona, 28, last season's player of the year in England, jumped into the crowd and aimed a two-footed kick at a Palace fan who had been taunting him after the Frenchman was sent off. Cantona then punched the fan before being restrained by officials and teammates.

Manchester United's director, Maurice Watkins, said United also had fined Cantona "the maximum sum permissible" under its contract, which was estimated to be £20,000 (\$32,000).

"In reaching this decision, which the player fully accepts, Manchester United have considered its responsibilities both to the club itself and to the game as a whole," Watkins said. United's fine and suspension are independent of any penalties the Football Association might impose and of continuing police investigations into the attack.

Cantona will miss 16 league games as United, currently second in the Premier League, bids to retain the league title it has won for the past two seasons. United also is the FA Cup holder and Cantona will miss Saturday's fourth-round game at home to Wrexham.

In Paris, the French national team selector, Aimé Jacquet, said Cantona would not be considered for the team.

"I don't see why Cantona should stay on the team while he's not playing for several months," Jacquet said.

Cantona will miss France's next two qualifying games for the 1996 European Championships, on March 29 against Isra-

el in Tel Aviv and April 26 at home against Slovakia.

Noel Le Graet, president of the French soccer league, said that Cantona, who has scored 20 goals in his 46 appearances for France, would never again be team captain.

The suspension comes amid speculation that Cantona may be transferred to the Italian club Inter Milan. Officials from the club were at the game Wednesday, and the Sun newspaper said United had given them permission to negotiate with Cantona. But any ban imposed by the FA could be imposed worldwide by FIFA, world soccer's governing body.

"Obviously at the moment it's purely an internal matter for the English FA to deal with," said Andreas Herren, a FIFA spokesman.

"But the English FA might not be very happy to see him playing somewhere else," he added. "If that arises, they can ask FIFA to impose a worldwide ban."

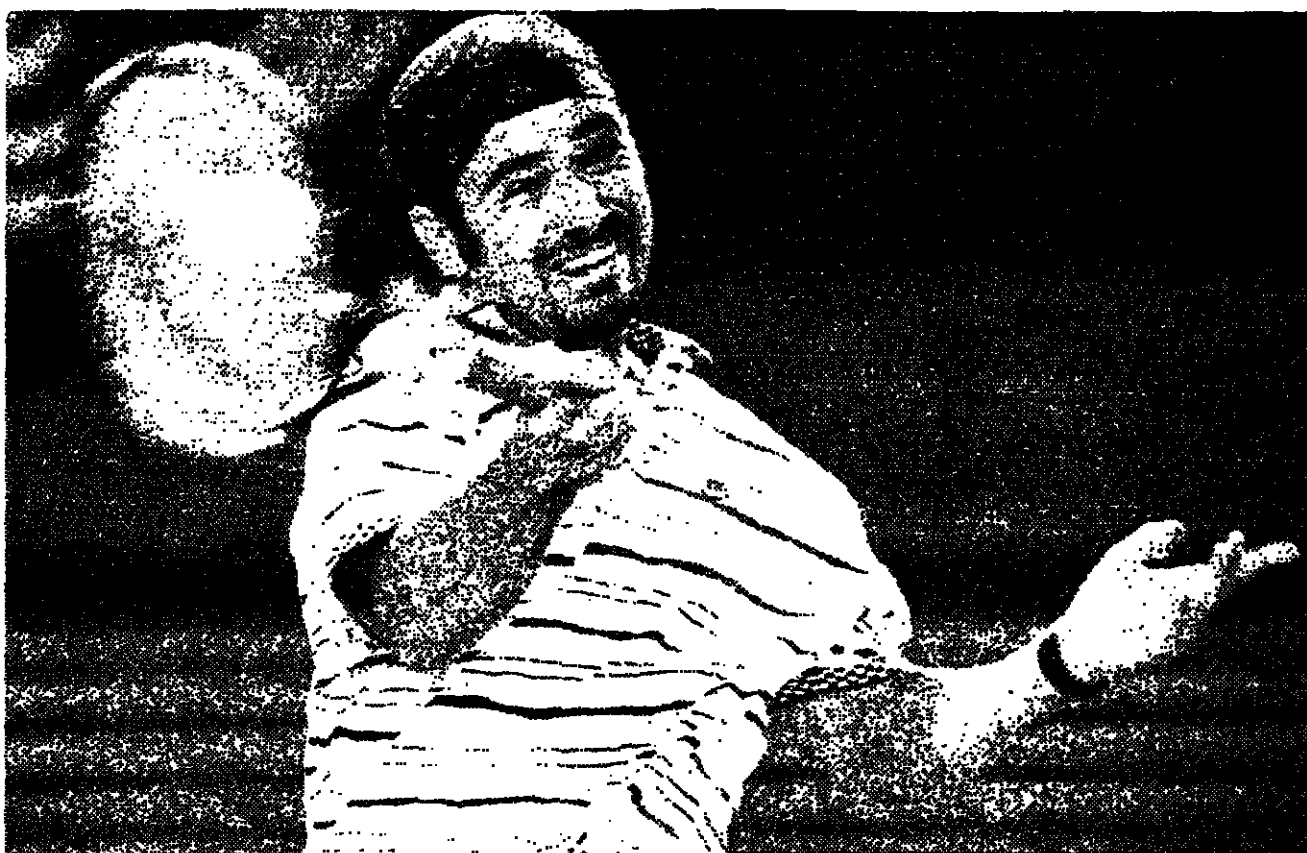
United's ban came a day after Cantona was formally charged by the FA for bringing the game into disrepute.

Cantona has 14 days to answer the FA charge. His fate then will be decided at a hearing before an FA disciplinary committee.

There was speculation Friday that the spectator attacked by Cantona, Matthew Simmons, 20, also could face prosecution for provoking the player. News reports said Simmons had a previous conviction for assaulting a Sri Lankan-born gas station attendant with a wrench during a robbery attempt.

British law prohibits behavior that is "threatening, abusive or insulting." Witnesses said Simmons ran to the front of the stands from his seat 11 rows back to scream obscenities at Cantona, including references to his French nationality.

(AP, Reuters)



Advancing to the Australian Open final on Friday, Andre Agassi maintained his record of not having lost a set.

Clinton Steps Up to the Plate in Strike

By Douglas Jehl
New York Times Service

WASHINGTON — Warning that the major league baseball strike was trying Americans' patience and imperiling thousands of jobs, President Bill Clinton has put the power of the White House on the first time behind efforts to force a mediated settlement.

Clinton ordered a federal mediator to bring baseball's players and owners back to the bargaining table, and he set a Feb. 6 deadline for them to make substantial headway toward ending the strike. Otherwise, he warned, the government would likely propose a solution.

With the start of spring training looming and no settlement in sight, the strong words from the president were reinforced on Capitol Hill, where some of the senate scheduled a new hearing on baseball's antitrust exemption.

Senator Bob Dole, the Republican leader, said Congress might seek to give

more power to baseball fans "if the players and owners are unable to find a common ground and find it soon."

Together, their warnings made plain that neither the White House nor Congress wants to be seen as standing passively now that another baseball season may be in peril. Spring-training camps are to open Feb. 16, and the regular season is to begin April 2.

But the thrust of Clinton's message appeared to reflect particular concern about the potential peril for Florida, the state that plays spring host to 20 of baseball's 28 major league clubs and one that is crucial to his political prospects.

"America has been living without baseball for too long," Clinton said in a statement issued Thursday. Saying the dispute was "imperiling the livelihood of tens of thousands of workers whose jobs depend on baseball," he declared: "It is time for this strike to end."

Bud Selig, the acting commissioner of

baseball, and Donald Fehr, the players' union chief, said Thursday that they welcomed their president's statement and looked forward to renewed talks.

But at a meeting in Washington where mayors from around the country told players and owners of their concern over the strike, neither side expressed optimism that the dispute could be resolved quickly.

Administration officials said Thursday that Clinton's statement had been drafted after weeks of deliberations in which Labor Secretary Robert Reich and Bruce Lindsey, a deputy White House counsel who is the president's chief adviser on the issue, had grown increasingly pessimistic about the prospects for a settlement.

Mr. Clinton warned that the strike had left baseball with "a tarnished image," and he suggested that a more aggressive government role was necessary in part because the dispute was "spurring the patience and depressing the spirits of millions of baseball fans — including me."

Agassi in Final
As Injury Forces
Krickstein Out

Compiled by Our Staff From Dispatches
MELBOURNE — Andre Agassi swept triumphantly into the Australian Open men's final on Friday amid chaotic scenes at Flinders Park after a freak thunderstorm flooded the complex within seconds of his victory.

The center court was underwater minutes after Aaron Krickstein, down 4-6, 4-6, 0-3, had retired with a groin injury after just 69 minutes of play in the semifinal.

The retractable roof over the main court had been closed to allow the match to take place, but monsoon-type conditions outside caused major flooding of the stadium.

Agassi, bidding to become the first player in 15 years to win a Grand Slam title without dropping a set, will play Pete Sampras, the defending champion and top seed, in Sunday's final.

Agassi, who controlled the match with his whirlwind groundstrokes, has won all six of his matches at the National Tennis Center in straight sets.

"It's exciting to come down here for the first time and make the final," Agassi said.

But he expressed sympathy for Krickstein's sudden injury in his first Grand Slam semifinal since 1989.

"Aaron worked so hard to get this far, he deserved to be out there and be healthy," Agassi said. "He hurt his groin in the first game of the match. I kind of sensed he wasn't at his best, so I pulled off a lot of my shots. I made some errors because of lack of concentration on what I was doing. I was more concerned with the other side of the net, unfortunately."

Krickstein began receiving treatment for a groin problem during changeovers early in the match.

"It's the most frustrating injury I've ever had, because I felt

I was playing my best tennis in a long time," said Krickstein, ranked 45th in the world.

Before the men's semifinal, Arantxa Sánchez Vicario of Spain, who faces Mary Pierce in the women's final on Saturday, won the women's doubles championship with her partner Jana Novotna of the Czech Republic.

The No. 2 seeds won their second straight Grand Slam by beating the top-seeded combination of Gigi Fernandez of the United States and Natasha Zvereva of Belarus 6-3, 6-7 (3-7), 6-4.

Fernandez and Zvereva had been bidding for their 10th Grand Slam title and had won the Australian title in both 1993 and 1994.

The flooding put a damper on Agassi's achievement at reaching a sixth Grand Slam final, completing a full set of all the four major venues.

Agassi could become the first player to win a Grand Slam title without dropping a set since Bjorn Borg in 1980.

Of the final, he said: "It has all the ingredients of a great match. You can't say who is going to win, but it's going to be fun tennis and I'm looking forward to it. I want to prove myself to be the best every time I'm on the court. I've managed to do it in the last six months or so, but it's one at a time."

As the water began to recede, a residue of mud settled on center court between the pools, increasing doubts about whether conditions would allow the men's and women's finals to take place.

"Our experience indicates that the court will be absolutely fine," said Geoff Pollard, president of Tennis Australia. "We do not anticipate any difficulty with the court surface."

(Reuters, AP)

SCOREBOARD

BASKETBALL

NBA Standings

EASTERN CONFERENCE			
Team	W	L	Pct
Orlando	24	8	.750
New York	24	13	.646
New Jersey	16	27	.370
Boston	16	24	.400
Miami	13	26	.333

CENTRAL DIVISION			
Team	W	L	Pct
Cleveland	24	10	.706
Charlotte	23	17	.573
Indiana	20	20	.500
Chicago	18	22	.450
Atlanta	18	22	.450
Minnesota	14	26	.344
Detroit	12	26	.310

WESTERN CONFERENCE			
Team	W	L	Pct
Utah	21	10	.676
San Antonio	24	14	.630
Phoenix	22	16	.577
Seattle	22	16	.577
Portland	21	17	.559
Los Angeles	20	18	.524
Golden State	19	19	.500
L.A. Clippers	17	21	.447

THURSDAY'S RESULTS			
Team	Score	Team	Score
Phoenix	97-84	Portland	97-84
San Antonio	97-84	Golden State	97-84
Los Angeles	97-84	Utah	97-84
Phoenix	97-84	Portland	97-84

Other Major College Scores			
Team	Score	Team	Score
Stanford	77-64	Duke	77-64
North Carolina	77-64	Georgia Tech	77-64
Michigan	77-64	Illinois	77-64
Arizona	77-64	Wisconsin	77-64
Ohio State	77-64	Nebraska	77-64

EAST			
Team	Score	Team	Score
Stanford	77-64	Duke	77-64
North Carolina	77-64	Georgia Tech	77-64
Michigan	77-64	Illinois	77-64
Arizona	77-64	Wisconsin	77-64
Ohio State	77-64	Nebraska	77-64

WESTERN			
Team	Score	Team	Score
Stanford	77-64	Duke	77-64
North Carolina	77-64	Georgia Tech	77-64
Michigan	77-64	Illinois	77-64
Arizona	77-64	Wisconsin	77-64
Ohio State	77-64	Nebraska	77-64

SIDELINES

Messier Signs
With Rangers

NEW YORK (AP) — Mark Messier has agreed to a new contract with the New York Rangers that will make him second to Wayne Gretzky on the National Hockey League salary scale this season.

The player who led the Rangers to the Stanley Cup championship last year signed a two-year deal, plus a club option for the 1996-97 season. Financial terms were not disclosed Thursday, but it is believed Messier, 34, got close to \$6 million.

Gretzky is being paid \$8.366 million this year by the Los Angeles Kings, with the contract prorated because of the owners' lockout. Mario Lemieux of the Pittsburgh Penguins makes \$43 million over seven years, or a yearly average of \$6.1 million. But he will earn less this year.

For the Record

The European Cup final on May 24 will be played in Vienna's Ernst Happel Stadium and the May 10 Cup Winners' Cup final in Paris's Parc des Princes, European soccer's governing body said Friday.

Nick Price fired a 5-under par 67 on Friday to take the lead in the Johnnie Walker Classic in Manila with a two-round total of 138. One shot back were Fred Couples, with a 67, and Robert Karlsson, who shot a course record 65.

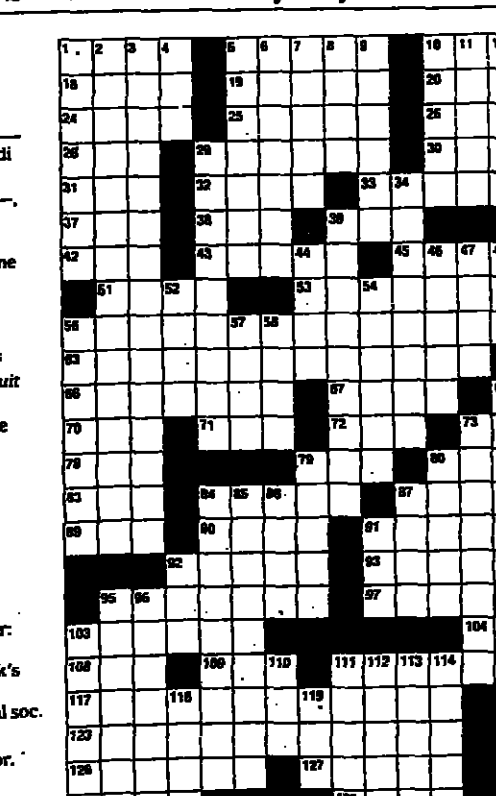
The Salem Open men's tennis tournament scheduled for April 3-9 in Osaka, Japan, has been canceled because of the Jan. 17 earthquake.

(Reuters)

SIGN SUBSTITUTION by Bryant White

- ACROSS
- Muezzin's call at a mosque
 - Bottomless pit
 - Escapade
 - Curless cut
 - Hitachi competitor
 - Give a price
 - Unsteady on one's feet
 - TV knob
 - Proponent
 - Nun, e.g.
 - Demeographic datum
 - Captain of the Sao Gabriel
 - Earth-moving equipment
 - Public
 - Cinnabar and barite
 - Overfired customer
 - Joey — and the Starliners
 - Burns' "Mouse"
 - Laugh: Fr.

- DOWN
- Start of a laugh
 - Hindu gentlemen
 - Kind of timer
 - "Enough, Giuseppe!"
 - Foreshadow
 - Ancient Roman priest
 - "All —" (court phrase)
 - Nightmare
 - Broadcast
 - Gate-crasher?
 - Ivan, e.g.
 - "Ben-Hur"
 - Exams for would-be workers
 - People with tissa
 - Sale-price abbr.
 - Printer's duggers
 - Social hangers-on
 - Cherished one
 - Computer company
 - Geom. figure
 - Bambi's aunt
 - Barber and Kettle



- ACROSS
- South China, e.g.
 - Balancer, of sorts
 - 1986 song — "Dipinto di Blu"
 - Handel's — "Galeata e Polifemo"
 - Celtic Neptune
 - 1995 House chant
 - Greek
 - Kind of cross
 - "Odyssey" fruit
 - 1860 John Wayne movie
 - Ernie of the P.G.A.
 - Match king
 - 91 Patsy?
 - Printer's duggers
 - Smash hit
 - Case worker: Abbr.
 - Like a drunk's speech
 - Song of joy
 - Auto ad abbr.
 - Hygienic ingredient in medicine
 - QB's goals
 - "Oranges and Lemons" rock group
 - Telecommunications corp.
 - "We Do Our Part" org.
 - Darker than chestnut
 - Jellyfish
 - Fortune
 - Years and years
 - Siding archrival?
 - Pieces of pieces of eight
 - Phone dial trio
 - Lorgnettes
 - Loses vigor
 - Clock hour
 - Conspicuous
 - First name in silents
 - Engine power, informally
 - 100 bani
 - Brilliant orange star of the northern sky
 - Otherwise
 - Circus stars?
 - Storm heading
 - June bug
 - Breaks violently again
 - Measures for puns
 - Bunk
 - Trident feature
 - Final notices
 - They're often paid

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Emirates

Emirates

3 "Patriot Games" actress?

4 Humorous Bill

5 Local for swordfish

6 "1985" novelist

7 Meditative methods

8 Check

9 Shawl for siestas

10 Actress

11 Tracts

12 Picture puzzle

13 Dairy cattle breed

14 Tenor sax great

15 Followed, as a tip

16 Sound investments

17 Engine power, informally

21 100 bani

22 Brilliant orange star of the northern sky

23 Circus stars?

27 Storm heading

29 June bug

34 Breaks violently again

38 Measures for puns

41 Bunk

44 Trident feature

46 Final notices

47 They're often paid

48 Pluralizer

49 Aspect

50 1929 Gershwin song

52 To do

54 Shawl's — and "Cleopatra"

56 Bettylike

57 Have

58 "The very —"

60 Diamond club?

61 Superman's base

62 Bald man of advertising

64 Poisonous mushrooms

68 Kin of silverware

73 Ancient marine "hazards"

74 Whack

75 Bergamot, e.g.

76 Leagues

79 Attention-grabbing

80 Linguist

82 Milk: Prefix

84 Gymnastic apparatus?

85 Baggy, as clothes

86 Scheherazade's recital

87 M.K. members

88 Lake from which the Blue Nile springs

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